

GAO Highlights

Highlights of [GAO-20-451](#), a report to congressional committees

Why GAO Did This Study

NNSA relies on M&O contracts to manage and operate its eight laboratory and production sites. In 2013, NNSA awarded a consolidated M&O contract to CNS for the Y-12 and Pantex sites to reduce costs. In the contract, NNSA required that CNS create a Cost Savings Program. CNS proposed it would save about \$2.9 billion over the contract's potential 10-year term.

The Senate committee report accompanying a bill for the National Defense Authorization Act for Fiscal Year 2019 includes a provision for GAO to review the cost savings achieved from the competition and award of the CNS contract. GAO's report examines the extent to which (1) CNS achieved proposed cost savings from fiscal year 2014 through fiscal year 2018 and (2) NNSA identified benefits associated with the Cost Savings Program and used that information to improve its M&O contracts.

GAO reviewed documentation and data on the Cost Savings Program from NNSA and CNS, interviewed NNSA headquarters and field office officials as well as representatives from M&O contractors, and toured the Y-12 site to understand examples of cost savings initiatives.

What GAO Recommends

GAO is making four recommendations, including that NNSA document its analysis of the Cost Savings Program to determine whether it is exportable to other contracts. NNSA generally agreed with the four recommendations.

View [GAO-20-451](#). For more information, contact Allison Bawden at (202) 512-3841 or bawdena@gao.gov.

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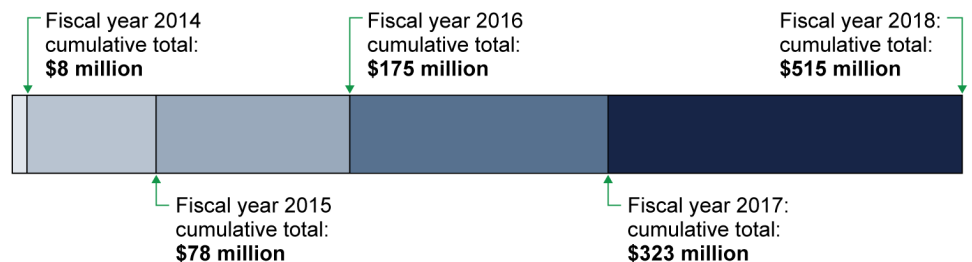
NATIONAL NUCLEAR SECURITY ADMINISTRATION

Analyzing Cost Savings Program Could Result in Wider Use and Additional Contractor Efficiencies

What GAO Found

The National Nuclear Security Administration (NNSA) verified about \$515 million in cumulative cost savings claimed by Consolidated Nuclear Security, LLC, (CNS) from fiscal year 2014 through fiscal year 2018 (see figure). CNS was awarded the management and operating (M&O) contract for both the Y-12 National Security Complex (Y-12) in Tennessee and the Pantex Plant (Pantex) in Texas. Those savings represented about 80 percent of the approximately \$640 million CNS proposed it would save through the end of fiscal year 2018. CNS achieved most of the savings through labor savings—for example, by reducing positions. While CNS's and NNSA's methods for calculating and verifying savings evolved in the early years of the contract, GAO concluded the \$515 million in reported cumulative savings represents a reasonable estimate. However, due to differences between proposed and achieved savings through fiscal year 2018, and annual savings projections that are lower for the remaining years of the contract, it may be difficult for the contractor to achieve its total proposed \$2.9 billion in savings over the potential 10-year contract that would end in 2024.

NNSA-Verified Cumulative Contract Savings Achieved by Consolidated Nuclear Security, LLC, from Fiscal Year 2014 through Fiscal Year 2018



Source: National Nuclear Security Administration (NNSA). | GAO-20-451

NNSA officials identified three key benefits of the Cost Savings Program—achieving savings, reinvesting in site infrastructure, and increasing financial transparency—but has not determined whether the program could be implemented at other sites to improve its M&O contracts. For example, NNSA officials said achieving cost savings at other sites could be useful, and most M&O contracts include a clause under which sites could implement a Cost Savings Program with some attributes of the program at Y-12 and Pantex. However, NNSA is not planning to implement the Cost Savings Program—or a variation of it—at other sites. NNSA officials and contractor representatives were uncertain about whether the Cost Savings Program could be exported to other existing or future contracts because NNSA has not gathered information on nor documented its analysis of the Cost Savings Program. GAO has previously found that leading organizations gather and analyze data to identify opportunities to reduce costs, among other reasons. By performing such an analysis, NNSA officials and contractors' representatives could make better-informed decisions about whether to implement aspects of the Cost Savings Program under existing contracts or as part of future M&O contracts to achieve additional savings in the future.