

Report of the Congressional Advisory Panel on the Governance of the Nuclear Security  
Enterprise

Prepared Statement by Co-Chairman, Admiral Richard Mies, U.S. Navy (Retired)

Mr Chairman and Ranking Member, let me add my thanks as well for giving the four of us the opportunity to testify. My remarks are intended to provide some specifics on our panel's recommendations within the context of my Co-Chair's overall characterization of the health surrounding the Enterprise. I will summarize the thrust of our recommendations in each of the five major areas addressed in our report. In sum, we had 19 major recommendations with a number of specific action items associated with each recommendation. A table summarizing the panel's recommendations is attached.

**First: Strengthen National Leadership Focus, Direction, and Follow-Through**

(Recommendations 1 and 2)

At the root of the challenges faced by the nuclear enterprise is the loss of focus on the nuclear mission since the end of the Cold War. Every aspect of the enterprise is colored by the fact that, bluntly stated, nuclear weapons have become orphans in both the Executive and Legislative branches. This lack of senior leadership attention--both civilian and military--has resulted in public confusion, Congressional distrust and a serious erosion of advocacy, expertise, and proficiency across the nuclear security enterprise. As Norm said earlier, there are recent signs of positive change--and sustained national leadership attention is needed to build a new foundation for the enterprise.

Our panel recommends that the President adopt a number of new mechanisms designed to provide oversight and guidance to direct and align nuclear security enterprise-wide policies, plans, programs and budgets across Departments. Annual joint OMB budget reviews and joint NSC program reviews, for example, would provide mechanisms for better aligning DOE and DOD programs, policies, and budgets.

Additionally, our panel recommends that Congress establish new mechanisms to strengthen and unify its leadership and oversight of the nuclear enterprise and its missions. Such efforts should seek improved coordination across missions as well as between authorizers and appropriators and thus better synchronize the work of multiple subcommittees to provide a more focused jurisdiction. These recommendations include adding the Senate Armed Service Committee approval to the confirmation and reporting requirements for both the Secretary and Deputy Secretary of DOE.

## **Second: Solidify Cabinet Secretary Ownership of the Mission**

(Recommendations 3–5)

Despite the intent of the NNSA Act to create a separately organized NNSA within DOE, the Act as implemented has failed to achieve the degree of clarity in enterprise roles and mission ownership. In retrospect this should come as no surprise: no Cabinet Secretary could be expected to relinquish control over a mission that constitutes over 40% of the Department's budget; a mission that involves significant environmental, safety, and security risks, associated with potential management failures; and a mission that produces a capability critical to our national security--a capability for which he or she is personally responsible to annually certify its safety, security, and performance to the President. The panel explored a range of organizational options, including the

status quo and an independent agency, and concluded that these were clearly inferior to placing the responsibility and accountability squarely on the shoulders of the Secretary.

Hence our recommendations are designed to clarify the Secretary's responsibilities for all of DOE's missions, and to clear away the redundancies, confused authorities, and weakened accountability that have resulted in the attempt to implement a "separately organized" NNSA within DOE. To achieve the right leadership structure—a Cabinet Secretary who sets policy and an operational Director who is empowered to implement the policy—the panel recommends amending, rather than repealing the NNSA Act to replace the "separately-organized" NNSA with a new Office of Nuclear Security (ONS) within the Department. ONS would be charged with performing the missions currently performed by NNSA.

Central to this reform is to establish the Director of ONS as the unquestioned line-management authority for safe, secure, and environmentally responsible nuclear security mission execution. Our report outlines an approach that would provide for the sustained leadership necessary to bring needed continuity and mission focus to the enterprise.

Additionally we recommend that the Secretary establish a management structure that aligns and codifies roles, responsibilities, authority and accountability across DOE and eliminates redundant and overlapping DOE and NNSA staffs.

Finally we recommend that the Secretary and Director reform DOE regulations to strengthen risk management, adopt accepted industry standards where appropriate, and improve DOE's ability to interact with and respond to the Defense Nuclear Facilities Safety Board.

### **Third: Adopt Proven Management Practices to Build a Culture of Performance, Accountability, and Credibility**

(Recommendations 6–13)

As our report describes, DOE/NNSA is an organization with many pockets of talented, technically competent people operating within a culture that lacks a unifying focus on mission deliverables, is risk averse, has poorly defined chains of command, lacks strong career development programs, and has an inflexible budget structure that impedes mission execution. A major overhaul is needed to transform the organization into one with a mission-driven management culture.

Our panel identified a number of management best practices, based on high-performing benchmarked organizations that, if implemented effectively, would bring about the needed reforms. Prominent among them are a capable, empowered leadership with well-defined roles and responsibilities; clear plans with careful analysis of the resources needed to succeed; a clear line-management structure; strong program managers focused on mission deliverables; effective communications; a focus on conveying effective incentives to mission partners; and clear accountability.

The panel's recommendations include adoption of industry best practices; strengthening program management and cost estimating expertise, tools and procedures; simplification of the budget and accounting controls; and development of a comprehensive plan to reduce the deferred maintenance backlog and reshape the weapons complex and workforce to meet future needs.

### **Fourth: Maximize the Contributions of the Management and Operating (M&O) Organizations to the Safe, Secure Execution of the Mission**

(Recommendations 14–17)

The open communication, close collaboration, and mutual trust that historically existed between the M&Os and Federal officials have eroded over the past two decades to an arm's length, customer-to-contractor and, occasionally, adversarial relationship. In the case of the laboratories, this has led to a significant loss in their contributions, contributions which in the past stemmed from the strength of the special Federally Funded Research and Development Center (FFRDC) relationship.

Our panel recommends a major reform of the government-M&O relationships, building on steps already begun by the current leadership. Award fees have diverted substantial energy and resources from mission execution; these fees should be replaced by fixed fees that fairly compensate the M&O organizations for their investments in the enterprise and for both their financial and reputational risks. Contract term extensions should be the main vehicle used to encourage M&O performance. DOE must define a collaborative relationship that attracts the best performers and emphasizes taking full advantage of the M&Os' ability to provide skilled personnel and strong management cultures, as well as proven systems, processes, and practices for effective and efficient mission execution. In order to rebuild trust and credibility, our panel recommends that the Secretary and Director take action to better standardize contract provisions where appropriate, eliminate wasteful and ineffective transactional oversight through reform of the field office staffing levels and procedures, and reduce the number of audits, inspections, and formal data calls and better synchronize those that remain,

**And finally, fifth: Strengthen Partner Collaboration to Build Trust and a Shared View of Mission Success**

(Recommendations 18 and 19)

DOE/NNSA has suffered a loss of credibility and trust with other nuclear security enterprise stakeholders, primarily DOD and Congress, through insufficient

communications, collaboration, and transparency. The nuclear security enterprise cannot succeed if participants are distrustful of one another and are seen to be divided on major goals and priorities. Our panel recommends stronger collaboration between the Secretaries of Energy and Defense to foster better alignment of the planning, resourcing, sustainment and modernization of DOE's nuclear weapon programs with DOD's strategic deterrent delivery system programs. Our recommendations include actions to strengthen the role of the Standing and Safety Committee that supports the Nuclear Weapons Council and to increase the role of the Nuclear Weapons Council in the drafting of Presidential guidance and in an annual assessment to the NSC on the nuclear security enterprise's progress on meeting Presidential guidance.

In conclusion, there is little new in our panel's report. We inherited approximately 50 past studies and reviews of DOE/NNSA. Of greatest concern, our panel found that many of the past studies and reviews of DOE/NNSA reached similar findings and recommendations regarding the cultural, personnel, organizational, policy and procedural challenges that have historically existed within DOE and now NNSA. Many of these continue to exist because of a lack of clear accountability, excessive bureaucracy, organizational stovepipes, lack of collaboration, and unwieldy, cumbersome processes. What is needed within DOE/NNSA are robust, formal mechanisms to evaluate findings, assess underlying root causes, analyze alternative courses of action, formulate appropriate corrective action, gain approval, and effectively implement enduring change.<sup>1</sup> As a sign of Secretary Moniz's commitment to that end, he has asked Dick Meserve and me to co-chair a sub-panel of the Secretary's Advisory Board to assess progress on the Department's response to the findings and

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<sup>1</sup> Fifteen months ago, our report concluded that reasonably prompt action would lead to measurable progress in a matter of months; we identified a number of specific indicators to expect. The Panel's final recommendation was to conduct follow-on reviews to assess the status of reform progress.

recommendations of our reports.

Our panel's findings and recommendations emphasize the need for cultural changes rather than simply organizational ones. I personally believe it was naïve of Congress to think that by simply creating NNSA as a semi-autonomous organization they could legislate an enduring solution without simultaneously encouraging DOE to address the more fundamental, underlying cultural problems.<sup>2</sup>

We concluded that lasting reform requires aggressive action and sustained implementation in all five of the aforementioned areas. But, national leadership engagement is really the common theme. Governance reform within DOE/NNSA is a daunting challenge. But there is also a unique opportunity under Secretary Moniz--an individual well qualified in national security, with previous DOE experience, who cares passionately about the nuclear security mission, and is surrounded by an exceptionally strong leadership team. What is not needed is a Congressional mandate for more studies. What is needed is Congressional support to help enable Secretary Moniz to make the bold and decisive cultural changes needed so they can be institutionalized beyond his tenure.

Thank you for your time and we look forward to your questions.

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<sup>2</sup> As I wrote in a previous report: "Committed, well trained, and experienced people can overcome organizational deficiencies; but no organizational improvements can overcome uncommitted, poorly trained, or inexperienced people. "

## Table of Recommendations

<b>Strengthen National Leadership Focus, Direction, and Follow-Through</b>	
<p><b>1. The President should provide guidance and oversight sufficient to direct and align nuclear security policies, plans, programs, and budgets across Departments.</b></p> <p>1.1 The President should reaffirm the importance of the mission and align DOE&amp;NS and DOD priorities through an expanded President’s annual stockpile guidance.</p> <p>1.2 The President should require annual OMB joint budget reviews to shape and align DOE&amp;NS and DOD programs and budgets.</p> <p>1.3 The President should require annual NSC joint program reviews to shape and align DOE&amp;NS and DOD programs and policies.</p>	
<p><b>2. Congress should establish new mechanisms to strengthen and unify its leadership and oversight of the nuclear enterprise and its missions.</b></p> <p>2.1 Congress should add Senate Armed Services Committee approval to the confirmation and reporting requirements for the Secretary and Deputy Secretary of DOE&amp;NS (and continue to have the Director, ONS be approved by the Senate Armed Services Committee).</p> <p>2.2 Congress should require the Secretary to testify annually on the health of the enterprise, and on progress in reforming its governance, to the Senate Energy and Natural Resources and Senate Armed Services Committees, and to the House Energy and Commerce and House Armed Services Committees.</p> <p>2.3 Congress should implement information sharing and collaboration mechanisms to unify and strengthen its mission-focused oversight across cognizant committees and to better harmonize direction and oversight across the enterprise’s mission areas.</p>	
<b>Solidify Cabinet Secretary Ownership of the Mission</b>	
<p><b>3. Congress should amend the NNSA Act and related legislation to clarify Departmental leadership roles.</b></p> <ul style="list-style-type: none"> <li>• <b>The Secretary “owns” the nuclear enterprise missions, sets Departmental policy for the nuclear enterprise, and is accountable to the President and Congress for the enterprise.</b></li> <li>• <b>The Director, Office of Nuclear Security (ONS) has full authority to execute the nuclear enterprise missions consistent with the Secretary’s policy.</b></li> <li>• <b>Departmental mission-support staffs advise and assist the Director in executing enterprise missions.</b></li> </ul>	
<p>3.1 The amended legislation should specify the Secretary’s leadership responsibilities and define duties that underscore the Secretary’s accountability for the nuclear enterprise and its missions.</p> <p>3.2 The amended legislation should create the Office of Nuclear Security (ONS) within the Department to perform the missions currently assigned to NNSA.</p> <p>3.3 The amended legislation should designate a Director, Office of Nuclear Security with full authority to execute nuclear enterprise missions under the policy direction of the Secretary. The Director should have tenure of at least six years, be compensated at the rate of Executive Schedule Level II, and hold the Departmental rank of a Deputy Secretary or Under Secretary.<sup>3</sup></p>	

<sup>3</sup> The panel recommends the Director hold either the rank of Deputy Secretary or Under Secretary, but did not agree on a specific rank.



<p>3.4 The amended legislation should assign risk acceptance authority and accountability to the Director for ONS mission execution.</p> <p>3.5 The amended legislation should grant the Director authority to appoint senior officials in ONS, including the conversion of three Senate-confirmed direct-report positions (Principal Deputy, Assistant Secretary for Defense Programs, and Assistant Secretary for Non-Proliferation Programs) to Senior Executive Service or Excepted Service positions.</p> <p>3.6 The amended legislation should emphasize the importance of the nuclear enterprise missions, by changing the name of the Department to the “Department of Energy and Nuclear Security.”</p>
<p><b>4. The Secretary should implement Departmental management processes that specify the Director’s authorities for executing nuclear enterprise missions. These authorities include:</b></p> <ul style="list-style-type: none"> <li>• <b>Line management authority for the safe, secure, and environmentally responsible execution of nuclear security missions</b></li> <li>• <b>Management authority for mission-support staffs assigned to the Office of Nuclear Security</b></li> <li>• <b>Concurrence authority for Departmental rulemaking on ONS matters</b></li> </ul> <p>4.1 The Secretary should establish decision-making practices among the senior headquarters staffs that codify the Director’s authority to execute the nuclear security missions consistent with the Secretary’s policies.</p> <p>4.2 The Secretary should establish a matrix management structure that</p> <ul style="list-style-type: none"> <li>• Aligns and codifies roles, responsibilities, authority, and accountability</li> <li>• Specifies the Director’s leadership authority over line-management and mission-support (“functional”) staffs assigned to ONS</li> <li>• Eliminates overlapping headquarters staffs</li> </ul> <p>4.3 The Secretary should adopt processes defining the Director’s role in ensuring applicable DOE&amp;NS policies, rules, and orders are compatible with the operating circumstances of the nuclear security enterprise.</p> <p>4.4 The Secretary should designate those senior headquarters positions that have line-management decision authorities and those that are responsible for mission-support functions.</p>
<p><b>5. The Secretary and Director should reform DOE regulation to strengthen risk management.</b></p> <p>5.1 The Secretary should strengthen the Department’s analytical expertise and processes for assessing risks, especially for nuclear and other high-hazard functions.</p> <p>5.2 The Secretary should direct a comprehensive review and reform of the Department’s ES&amp;H and Security Orders and Directives to reflect best industry practices.</p> <p>5.3 The Secretary (with Congressional concurrence) should establish a mechanism to improve the Department’s ability to respond to inquiries, findings, and recommendations of the Defense Nuclear Facilities Safety Board.</p>

## **Adopt Proven Management Practices to Build a Culture of Performance, Accountability, and Credibility**

**6. To begin reforming the DOE&NS culture, the Secretary and Director should develop within six months a plan for continuous management learning and improvement, including an implementation plan for the panel's recommendations with milestone target dates.**

- 6.1 The Secretary and Director should urgently develop a more robust, integrated DOE&NS/ONS-wide process to provide accountability and follow-up on findings and recommendations from studies and reviews, both internal and external.
- 6.2 The Secretary and Director should establish management metrics for assessing and improving enterprise management.
- 6.3 The Secretary and Director should routinely survey personnel to gauge morale, assess cultural changes, and identify the results of efforts to change management practices.
- 6.4 The Secretary and Director should aggressively communicate reform plans and objectives.

**7. The Secretary and Director should implement industry best practices for shaping and building the enterprise workforce.**

- 7.1 The Secretary and Director should establish strong career and leadership development programs, require rotational assignments, and place greater emphasis on continuing education and professional certifications.
- 7.2 The Secretary and Director should reshape staffs as needed to implement governance reforms.
- 7.3 The Secretary and Director should conduct a zero-based personnel review to right-size government staffs consistent with recommended reforms and changing workload since the end of the Cold War; this review should include the consolidation of headquarters activities across DOE&NS's Forrestal headquarters, the Germantown campus, and the Albuquerque complex.

**8. The Secretary should establish trusted Cost Analysis and Resource Management staffs, tools, and data; the Director should be responsible for this process in ONS.**

- 8.1 The Secretary and Director should strengthen the Department's efforts to develop independent cost and resource analysis capabilities.
- 8.2 The Secretary and Director should employ a rigorous Analyses of Alternatives process during program formulation as the basis for assessing and validating program requirements.
- 8.3 The Secretary and Director should take advantage of established DOD resource analysis capabilities in establishing DOE's cost analysis and resource management capabilities.

**9. The Director should establish a simple, clear line-management operating structure that both synchronizes activities across programs, mission-support functions, and operating sites and provides leadership focus for key programs.**

- 9.1 The Director should create operational mechanisms to perform the key synchronization functions that used to be performed by the Albuquerque Operations Office.
- 9.2 Deputy Directors should be designated to lead in the integrated planning and execution of programs in their mission areas of responsibility.
- 9.3 The Deputy Director responsible for Life Extension Programs, working with DOD, should create a long-term operating plan to support the nation's warhead modernization strategy; this plan should be designed to create a relatively stable, long-term workload.

<p><b>10. The Director should establish program managers who are provided necessary authorities and resources, and who are held accountable for major mission deliverables.</b></p> <p>10.1 The Director, in coordination with the responsible Deputy Director, should designate program managers for each Life Extension Program and major construction project.</p> <p>10.2 Program managers should be held accountable to employ effective management practices.</p> <p>10.3 The Director should delegate to the program managers control of any funds identified as uniquely required to execute their programs.</p> <p>10.4 The Director should delegate control over personnel assigned to their programs to the program managers.</p>
<p><b>11. The Congress, Secretary, and Director should adopt a simplified budget and accounting structure (by reducing budget control lines) that aligns resources to achieve efficient mission execution while providing sufficient visibility to enable effective management oversight.</b></p> <p>11.1 Congress should reduce the number of Congressional budget control lines to the number of major programs plus major mission-support functions.</p> <p>11.2 The Director should reduce ONS's internal budget control lines to the minimum number needed to assign funding for major programs and mission-support activities across the sites.</p> <p>11.3 Infrastructure funding that is uniquely required for the execution of Life Extension Programs should be integrated into the portfolio of the Deputy Director for Defense Programs.</p>
<p><b>12. The Director should develop a strategy and plan to reshape the weapons complex to meet future needs.</b></p> <p>12.1 The Director should ensure that the strategy and plan identify and address the deferred maintenance backlog.</p> <p>12.2 The Director should ensure that the strategy and plan match (and, in many cases, reduce) the infrastructure needed to meet requirements.</p> <p>12.3 The Director should ensure that the strategy and plan identify investments in the needed skills in the workforce.</p> <p>12.4 The Director should ensure that the strategy and plan specify investments in capabilities, including the sites' use of internally directed research and development. The panel recommends Laboratory Directed Research and Development (LDRD) funding of no less than 6 percent, which is needed to sustain leadership in nuclear science, engineering, and manufacturing.</p>
<p><b>13. The Secretary and Director should continue ongoing efforts to improve construction project management capabilities (at all levels) by introducing disciplined management practices in order to recapitalize infrastructure on time and on budget.</b></p> <p>13.1 The Director should strengthen infrastructure project management skills, tools, and the collection and analysis of data.</p> <p>13.2 The Director should build on recent efforts to adopt best practices for managing infrastructure projects, especially the use of external peer review.</p> <p>13.3 The Secretary and Director should hold managers accountable for adopting the effective practices detailed in the Department's directive on project management (Order 413), consistent with the principles provided in OMB Circular A-11 in infrastructure projects.</p>

**Maximize the Contributions of the Management and Operating (M&O) Organizations to the Safe, Secure Execution of the Mission**

**14. The Director should reform M&O contracts, replacing the award fee structure with fixed fees for longer (multi-year) award terms and linking performance incentives to the contractual period of performance.**

- 14.1 The Director should adopt market-based fixed fees for new M&O contracts commensurate with M&O-borne risks, M&O investments in the enterprise, and the scale of the undertaking.
- 14.2 Where practicable, the Director should convert existing contracts to similar fixed fee arrangements.
- 14.3 The Director should base decisions to extend an M&O contract's period of performance primarily on contributions to mission performance; unsatisfactory performance should lead to early termination.
- 14.4 The Director should seek greater standardization of contract provisions across similar entities.

**15. The Secretary and Director should reinforce the M&O parent organizations' obligations to contribute to enterprise management improvement initiatives.**

- 15.1 The Director should create collaborative mechanisms to strengthen the joint contributions of the M&O organizations in improving the effectiveness and efficiency of enterprise operations.
- 15.2 The Director should task M&O organizations to identify and assess management improvement opportunities, both for mission execution and for mission-support functions.

**16. The Secretary and Director should eliminate wasteful and ineffective transactional oversight.**

- 16.1 The Secretary and Director should direct a reduction in the number of audits, inspections, and formal data calls, and better synchronize those that remain.
- 16.2 The Secretary and Director should eliminate transactional oversight in areas where there are better mechanisms for certifying contractor performance, to include reform of the field office's staffing levels and performance criteria.

**17. The Secretary, Director, and the National Laboratory Directors should adopt management practices that serve to rebuild the strategic Government-FFRDC relationship.**

- 17.1 The Secretary and Director should continue to reinvigorate the strategic dialog with the Laboratory Directors.
- 17.2 Leaders in both the government and M&Os should prescribe and enforce behaviors that rebuild credibility and trust.
- 17.3 The appropriate government officials (e.g., Deputy Directors, program managers) should meet at least monthly with the M&O leadership, and preferably have daily informal interactions.

<b>Strengthen Customer Collaboration to Build Trust and a Shared View of Mission Success</b>	
<b>18. The Secretary should collaborate with the Secretary of Defense to better align the planning, funding, and execution of sustainment and modernization programs for nuclear weapons and their supporting infrastructure with DOD's delivery platforms.</b>	<p>18.1 The Department Secretaries should direct activities that foster collaboration and communications among the principals and staffs supporting the Nuclear Weapons Council (NWC).</p> <p>18.2 The Department Secretaries, supported by the chairman and members of the NWC, should reinvigorate its working-level elements.</p> <p>18.3 The Department Secretaries should establish transparent information sharing mechanisms and increase direct staff collaboration on a daily basis to address persistent communications and trust issues.</p> <p>18.4 The Department Secretaries should confer on each Department's proposed co-chair to the Standing and Safety Committee (SSC), which reports to the NWC.</p> <p>18.5 The Department Secretaries should involve the NWC in drafting and reviewing the annual assessment to the NSC of progress on meeting Presidential guidance.</p> <p>18.6 The Director should strengthen the roles, responsibilities, and accountability of the senior military officer assigned to ONS in order to improve DOE&amp;NS-DOD collaboration.</p>
<b>19. The Secretary and Director should align and streamline processes for collaboration with Interagency customers.</b>	<p>19.1 The Secretary, working through the Mission Executive Council, should improve coordination for planning and executing Interagency Work.</p> <p>19.2 The Mission Executive Council should annually conduct a review of the execution of Interagency Work across the nuclear security enterprise to identify improvement opportunities in working relationships, collaborative mechanisms, and management practices.</p>