



U.S. DEPARTMENT OF
ENERGY



**National Nuclear Security
Administration
Comments on the Final
Report of the
Congressional Advisory
Panel on the Governance of
the Nuclear Security
Enterprise**

**Report to Congress
May 2015**

**National Nuclear Security Administration
United States Department of Energy
Washington, DC 20585**

Administrator's Letter of Transmittal

This report provides the National Nuclear Security Administration's (NNSA) response to the Report of the Congressional Advisory Panel on the Governance of the Nuclear Security Enterprise, as required by Section 3134 of the National Defense Authorization Act for Fiscal Year 2015. My comments, as Under Secretary for Nuclear Security and Administrator, NNSA, have been coordinated with the Secretary of Energy.

NNSA continues to make improvements in the leadership and management of its unique roles and responsibilities within the larger nuclear security enterprise; consequently we are pleased that much of the work that we have already undertaken and the changes that we are making are supported by the findings of this report. We know that we have additional work to do, and we are committed to making the NNSA a highly effective and continuously improving organization. This report highlights actions NNSA and the Department of Energy (DOE) have implemented or are currently underway, and addresses those recommendations of the Congressional Advisory Panel that we plan to pursue.

Pursuant to statutory requirements, this report is being provided to the following Members of Congress:

- **The Honorable John McCain**
Chairman, Senate Committee on Armed Services
- **The Honorable Jack Reed**
Ranking Member, Senate Committee on Armed Services
- **The Honorable Mac Thornberry**
Chairman, House Committee on Armed Services
- **The Honorable Adam Smith**
Ranking Member, House Committee on Armed Services
- **The Honorable Thad Cochran**
Chairman, Senate Committee on Appropriations
- **The Honorable Barbara A. Mikulski**
Ranking Member, Senate Committee on Appropriations
- **The Honorable Harold Rogers**
Chairman, House Committee on Appropriations
- **The Honorable Nita M. Lowey**
Ranking Member, House Committee on Appropriation

If you have any questions or need additional information, please contact me or Mr. Clarence Bishop, Associate Administrator for External Affairs, at (202) 586-7332.

Sincerely,

A handwritten signature in black ink that reads "Frank G. Klotz". The signature is written in a cursive style with a large, stylized initial "F".

Frank G. Klotz
Under Secretary for Nuclear Security
Administrator, NNSA

Message from the Secretary

The programmatic success of the Department of Energy (DOE) and its National Nuclear Security Administration (NNSA) in sustaining the nuclear deterrent for over two decades without testing, in reducing the nuclear danger by securing or eliminating a very large amount of weapons-usable nuclear materials, in providing nuclear propulsion for a Navy with global reach, and in carrying out critical nuclear analysis and counterintelligence for the Administration at large must be preserved and extended. To do so requires addressing governance issues that could compromise continued success in the coming decades or elevate costs in doing so. The task of evaluating these issues, which have been present since the establishment of NNSA fifteen years ago, and of recommending solutions was given to the Congressional Advisory Panel on the Governance of the Nuclear Security Enterprise, commonly referred to as the Augustine-Mies panel. The Augustine-Mies report to Congress provides a welcome perspective on the state of nuclear security governance and the key steps needed from the Administration and the Congress for improvement of governance for the long term.

The quality and collective experience of the Augustine-Mies panel members are to be applauded. They and their staff did a very thorough job of fact finding and objective analysis. In that vein, their conclusions and recommendations deserve the full attention and appropriate response from both the Administration/DOE/NNSA and from the Congress. This message represents the initial response from the Secretary of Energy and the NNSA Administrator/Under Secretary for Nuclear Security.

To help frame the response, I charged the Secretary of Energy Advisory Board (SEAB) to present their observations on the panel report. The SEAB letter report (at Attachment), led by the Honorable Brent Scowcroft as chair of the SEAB Nuclear Security Subcommittee, strongly endorses the key Augustine-Mies findings and recommendations, thereby lending even further support to the Augustine-Mies conclusions from distinguished contributors to our nation's security over a long time.

The overarching conclusions of the Augustine-Mies panel are the need to "strengthen national leadership focus, direction and follow-through" with respect to the nuclear mission and "to solidify Cabinet Secretary ownership of the mission." Let me state clearly that as Secretary, I place the highest priority on "ownership" of the nuclear security mission, and spend a significant portion of my time and energies advancing its key goals. Further, in building the DOE/NNSA leadership team that includes Deputy Secretary Sherwood-Randall, Administrator Klotz, and Principal Deputy Administrator Creedon, the President has clearly appointed a group well versed and deeply engaged in nuclear security science, technology, management and policy. In my time as Secretary, I have seen how mission ownership has materially impacted NNSA directions and resources in support of key mission responsibilities. The appointment of Secretary Carter at the Department of Defense has further strengthened the Administration's nuclear security team.

A major conclusion of the panel was that, after evaluating several governance models, “the solution is not to seek a higher degree of autonomy for NNSA, because that approach would only further isolate the enterprise from needed Cabinet Secretary leadership. Instead it is recommended that Congress place the responsibility and accountability for the mission squarely on the shoulders of a qualified Secretary, supported by a strong enterprise Director with unquestioned authority to execute nuclear enterprise missions consistent with the Secretary’s policy direction.” We emphatically concur and would add to this that rebuilding national leadership focus on nuclear security will also require strengthening regular communications between the Secretary and the relevant Congressional leaders on the various policy elements that make up the nuclear security mission. As part of this, we propose to carry out the SEAB recommendation for a regular semi-annual report and briefing to Congress on progress in carrying out Augustine-Mies recommendations and updates on both progress and challenges in executing the mission continuously over short, intermediate and long time frames. The Deputy Secretary and the NNSA Administrator will lead the group that monitors our progress. The group will seek input enterprise wide and also from those outside DOE, such as the members of the Augustine-Mies and SEAB panels.

The panel goes on to offer important findings and recommendations about management practices. The panel states that “A major overhaul will be needed to transform the organization into one with a mission-driven management culture,” with “strong program managers focused on mission deliverables” and “clear accountability.” The panel observes that “an arm’s length, customer-to-contractor and, occasionally, adversarial relationship” has become too common and that a rebuilding of the trust that is a critical element of an FFRDC relationship is needed. I believe the panel is correct in these findings. When I became Secretary, I committed to restoring a more strategic relationship with the laboratory directors (not just NNSA) and I believe that we have made progress in this direction. This has been helped with some new institutional structures but even more, in my opinion, by more open communications about how the Department should pursue its multiple missions. This has benefitted both the Department and the laboratories, which of course is the objective of the FFRDC relationship.

I believe that various specific approaches to management processes are beginning to pay dividends, some of which are indicated in the Administrator’s accompanying report. However, notwithstanding some progress, there is a long path to follow to reach the management goals laid out by the panel. The report included an apt Peter Drucker quote at the beginning of Chapter 3: “Culture eats strategy for breakfast.” Culture change is not easy, and we do need such a change to restore primary focus on collaborative mission accomplishment throughout the system, with mission support in its very important role of helping that accomplishment take place safely, securely and efficiently. This applies both to labs and to other nuclear sites. Culture change requires strong trusted relationships advancing sound risk management understood by all levels of the organization. This will take some time, and certainly any progress that we make over the next couple of years needs to have roots deep enough to cross different management styles and managers. Our DOE enterprise-wide team will continue to work hard to set the right directions.

The final major set of recommendations involved strengthening “customer collaboration ... and a shared view of mission success.” This refers principally to the DoD-DOE relationship with regard to the deterrent. Here again there are examples of progress, such as a better functioning Nuclear Weapons Council, but there are also specifics on which we clearly need to improve, such as streamlining how work is done for other national security agencies (DoD, Intelligence, DHS), even though the report does note considerable satisfaction as to how many capabilities and services are provided by the DOE laboratories and sites. However, there is an important point here on which I disagree with the panel. The report consistently refers to a “customer” relationship between DoD and DOE. This framing of the relationship is actually at the root of some tension. The two agencies have synergistic responsibilities for supporting our country’s nuclear defense posture and the President and Congress ultimately have responsibility for allocating resources for maintaining our national security. Furthermore the nuclear security mission is broader than deterrence, including the nonproliferation, naval propulsion, intelligence and environmental cleanup missions that reside with DOE. None of this excuses either DoD or DOE from carrying out its responsibilities in the most cost effective fashion, but the framework for discussion should be optimization of our national security needs among several agencies with complementary capabilities. DoD is not our customer, and we are not a vendor; together we bear the serious responsibility to deliver a safe, secure and effective deterrent for the American people.

The accompanying report from Administrator Klotz provides more detailed responses to the Augustine-Mies recommendations. I repeat that we are very appreciative of the panel’s work and of its thoughtful findings and recommendations. The panel lays out a challenging agenda, and we welcome it as an important contribution to assuring our country’s nuclear security for the long term. We look forward to working with the Congress and with other stakeholders on implementation.

Sincerely,



Ernest J. Moniz
Secretary of Energy

Executive Summary

This report provides the Department of Energy (DOE)/National Nuclear Security Administration's (NNSA) comments with respect to the November 2014 Report of the Congressional Advisory Panel on the Governance of the Nuclear Security Enterprise, *A New Foundation for the Nuclear Enterprise*, as required by Section 3134 of the National Defense Authorization Act for Fiscal Year 2015.

The Department of Energy (DOE) and the NNSA express their deep appreciation to the members and staff of the Congressional Advisory Panel for their service and for their exceptional contribution to our national security in rendering their comprehensive and insightful report.

DOE and NNSA have carefully reviewed the report's findings, conclusions and recommendations. We are pleased that the report recognizes many of the successes that the DOE and the NNSA have achieved as we carry out our important and enduring nuclear security missions, including conducting a science-based Stockpile Stewardship Program to annually certify the safety, security and effectiveness of American nuclear arsenal without nuclear explosive testing for over 20 years.

We also believe that the report correctly identifies and accurately describes the leadership, management, and cultural challenges that confront the nuclear security enterprise. To address these issues, the report makes 19 primary recommendations and 63 sub-recommendations to improve performance, efficiency and accountability--both now and in the future. Most of these can be implemented under the existing authorities of the Secretary of Energy and the NNSA Administrator. As described in detail in the pages that follow, DOE and NNSA have in fact already taken a number of actions that fully align with the panel's recommendations. Additional steps can and will be undertaken, informed by the work of the Congressional Advisory Panel, as well as other ongoing reviews. .

NNSA is committed to working with the Administration, Congress, our partners and other stakeholders to address the challenges and recommendations identified by the Congressional Advisory Panel in a comprehensive, forthright and transparent manner. Our highly talented NNSA team, comprised of our federal workforce and our Management and Operating (M&O) and other contractor partners, is committed to continuous improvement and achieving excellence in all that we do. Above all, NNSA remains dedicated to carrying out our nuclear and other national security missions, while being mindful of our obligation to continuously improve our business practices, to develop our people, and to be responsible stewards of the resources Congress and the American people have entrusted to us.