

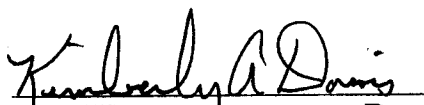
CONTRACT MANAGEMENT PLAN  
FOR  
SANDIA CORPORATION

MANAGEMENT AND OPERATING  
CONTRACTOR  
FOR  
SANDIA NATIONAL LABORATORIES

CONTRACT NO. DE-AC04-94AL-85000

December 2007

Approval:

  
Patty Wagner Date 12/19/07  
Site Manager/Sandia Site Office

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# SSO Contract Management Plan

## 1.0 Introduction/Overview

The National Nuclear Security Administration (NNSA), established by Congress in 2000, is a semi-autonomous agency within the Department of Energy (DOE) responsible for enhancing national security through the military application of nuclear energy. NNSA maintains and enhances the safety, security, reliability and performance of the U.S. nuclear weapons stockpile without nuclear testing; works to reduce global danger from weapons of mass destruction; provides the U.S. Navy with safe and effective nuclear propulsion; and responds to nuclear and radiological emergencies in the U.S. and abroad. Sandia National Laboratories (SNL) is one of eight sites making up the Nuclear Weapons Complex (NWC).

In achieving its responsibilities, NNSA has authorized the Sandia Site Office (SSO) to provide operational oversight and administration of the Management and Operating (M&O) Contractor for the Sandia National Laboratories (SNL). The SSO serves as the risk acceptance agent for the NNSA and is responsible for ensuring the safe and secure operations of the DOE mission at SNL. Support is provided to SSO by NNSA Headquarters and the NNSA Service Center.

SNL is a Federally-Funded Research and Development Center (FFRDC) with a multi-billion dollar budget in support of the DOE/NNSA. SNL is one of several FFRDC facilities that are critical to the Nation's Stockpile Stewardship Program. SNL work is performed by the SNL Management and Operating Contractor at a variety of locations, but the principal place of performance is at Albuquerque, New Mexico, and Livermore, California.

The principal mission of SNL is to support national security programs through design of non-nuclear components for the Nation's nuclear weapons systems, a wide variety of energy research and development projects, and assignments that respond to national security threats—both military and economic. While most of the work at SNL is sponsored by NNSA, the Contractor also performs work for other federal agencies, including the Department of Defense, Department of Homeland Security, and others.

## 2.0 Purpose/Applicability/Updates and Distribution

- 2.1 Purpose: This Contract Management Plan (CMP) (1) defines the contract administration process and various sub-processes, and their integration, to assure that the terms of the contract are met by the contractor and NNSA; (2) summarizes in a single document how SNL contract management and oversight responsibilities will be conducted; and (3) provides overall guidance to employees involved with the oversight of the SNL Contractor. The CMP does not identify every action that the government or contractor must complete or perform but rather sets forth the higher level contract requirements, deliverables, and performance activities. The CMP is a flexible contract administration tool and

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will be updated as changes occur in the contract management and oversight process.

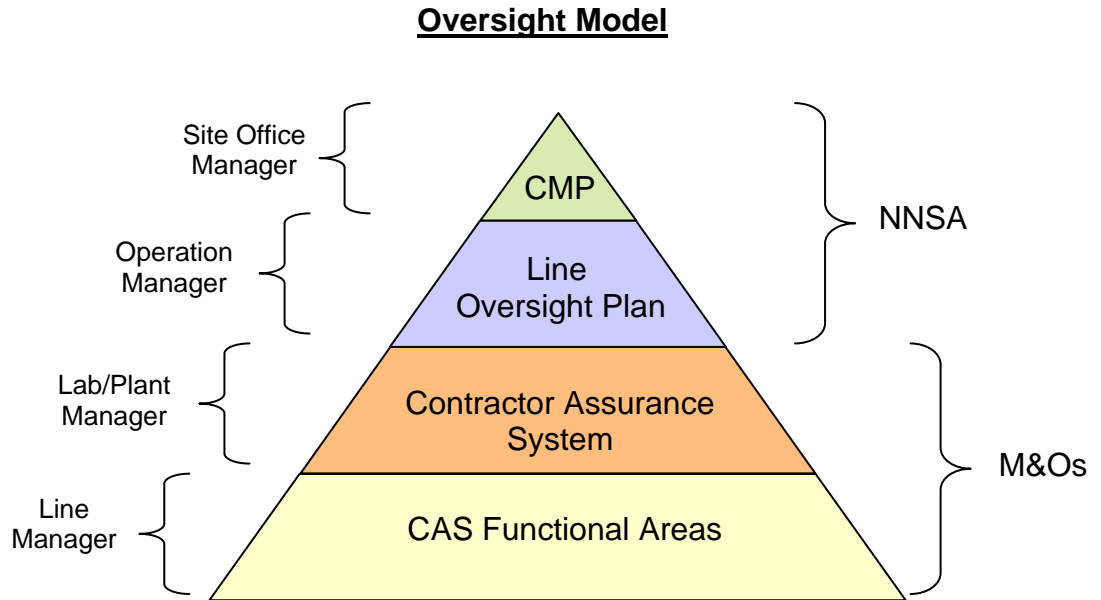
Administration and oversight of the SNL contractor is based on the (1) terms and conditions of the contract, (2) Federal Acquisition Regulation (FAR), (3) Department of Energy Acquisition Regulation (DEAR), (4) NNSA procurement policies and directives, and (4) other applicable laws, rules, and regulations. A key component of effective contract management under the CMP is the use of a team approach of NNSA/HQ, SSO, and contractor staff focused on the common goal of successful contract performance. The principles and concepts of contract assurance requirements are incorporated into the CMP. Specifically, the CMP:

- a. Summarizes NNSA employees' involvement with the management and administration of the contract,
- b. Identifies lead and support contract administration responsibilities,
- c. Identifies deliverables and actions that are critical to achieving success and complying with regulatory and contract requirements,
- d. Provides a high level overview in how the contract is to be administered,
- e. Summarizes the purpose, scope, features, and requirements of the contract,
- f. Defines the roles and responsibilities of the organizations involved in the management and administration of the contract,
- g. Discusses the contracting authorities, delegations, and limitations of authorities,
- h. Identifies how work is assigned or authorized, and
- i. Outlines the contract management process including planning, execution, evaluation, fee determination, and improvement.

Other key SSO contract management and oversight tools – Management systems and processes have been established to ensure a structured contract administration and programmatic oversight program of the M&O contract through various programs and systems. These include but are not limited to the SSO Quality Assurance Program, SSO ISSM Program, SSO Environmental Management System, SSO Work Authorization System, and the SSO Information Management System. SSO has an extensive set of Corporate Policies and Procedures. Key SSO policies and procedures include: SSO Functions, Responsibilities, Authorities Manual (FRAM); Emergency Management; Risk-Based Oversight; and Performance Evaluation Plan/Performance Evaluation Report Procedures (<http://scprod.na.gov/sbms/>) The SSO systems, policies, procedures, and processes applicable to the management and oversight of the Contract are discussed in subsequent sections of this CMP.

The following Oversight Model graphically demonstrates the hierarchy and responsibilities associated with the CMP and Line Oversight Contract Assurance System (LOCAS) process.

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- 2.2 Applicability: The CMP is applicable for the management and administration of Contract number DE-AC04-94AL85000, a Management and Operating (M&O) contract, with Sandia Corporation (Sandia).
- 2.3 Updates and Distribution: The SSO Contracting Officer (CO) has responsibility for updating the CMP and will revise the plan periodically as needed based on contract modifications or other contract administration changes. A copy of the plan is located on the SSO public drive (j:/kao/public/sso contract management plan).

## 3.0 Contract Summary

- 3.1 Contractor: Martin Marietta was competitively awarded the contract on October 1, 1993. In 1995 Martin Marietta and Lockheed Corporation merged and became Lockheed Martin Corporation. Sandia Corporation is a wholly-owned subsidiary of the Lockheed Martin Corporation. Sandia Corporation operates as a separate, autonomous business entity, which has as its sole purpose the management and operation of SNL. Sandia must conduct its business consistent with the policies and procedures applicable to FFRDC facilities as set forth in the Federal Acquisition Regulation.

The 1993 contract was a competitive award for a five-year period. Since that time, the contract was non-competitively extended in accordance with Federal and

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DOE regulations. Modification M202 dated October 1, 2003, is the most recent contract extension, and it provided a new Model Contract. The Model Contract provides increased Contractor Accountability and a shift in Federal Oversight to ensure more effective and efficient contractor operations. Key elements of the Model Contract include the following goals and objectives.

## *Goals:*

- Redesign the Federal/Contractor relationship
- Capitalize on private sector expertise
- Increase contractor accountability for performance
- Implement a simpler, less adversarial contracting model

## *Objectives:*

- Provide a model for implementing an operational Contractor Assurance System with an increase in Contractor accountability and a shift in Federal oversight
- Capitalize on industry standards and outside certifications
- Introduce a more discipline Work Authorization process through the Contracting Officer and COR appointments and Performance Direction clause
- Streamline the contract by reducing non-applicable clauses
- Provide a framework for systems oversight of non-nuclear work
- Allow for investment of cost efficiencies, with onsite investment as an incentive
- Increase involvement of the parent entity and the Sandia Corporation Board of Directors
- Improve performance through benchmarking with private sector and NNSA contractors
- Enhance coordination within the Nuclear Weapons Complex
- Emphasize Sandia's accountability for daily operations

- 3.2 Contract Number: DE-AC04-91AL85000  
([http://www.doeal.gov/mocd/SNL\\_M202.htm](http://www.doeal.gov/mocd/SNL_M202.htm))
- 3.3 Period of Performance: October 1, 1993 through September 30, 2011.
- 3.4 Contract Term: The Contractor's term may be extended if the Contractor obtains an overall rating of "Outstanding" on the performance objectives contained in its annual NNSA Performance Evaluation Report. If the Contractor succeeds in achieving an overall "Outstanding" rating, NNSA will evaluate the contractor's success in the performance areas set forth in the Award Term section of the Performance Evaluation Plan. The contract term beginning with the 2003 extension shall not exceed a total of 10 years including all earned award term.
- 3.5 Contract Type: The Contract is a cost-reimbursement fixed fee with performance incentives (award fee).
- 3.6 Total Contract Value: Approximately \$24 Billion.

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- 3.7 Estimated Annual Budget/Funding. Funding for SNL comes from the NNSA Program Offices and other funding sources such as the Office of Environmental Management (EM), Office of Science, Department of Homeland Security, and Work for Others (WFO) Programs. The Contract is incrementally funded throughout the year based on financial plans and the established Fiscal Year total estimated cost and fee amount.
- 3.8 Performance-Based Features: This Contract is a management and operating performance-based contract, which holds the Contractor accountable for performance. This Contract uses clearly defined standards of performance consisting of performance objectives in relation to fixed fee, performance incentives as described in Contract Clause entitled “Performance Incentives” and award term incentives as described in Contract Clause entitled “Award Term” with measures and targets for each area agreed to in advance on a fiscal year basis and incorporated into the Performance Evaluation Plan. The SOW identifies four general Performance Groups that consist of those activities critical to the Contractor’s management of corresponding programs, projects and processes. The Performance Groups are: Programmatic, Laboratory Management, Administrative Management and Operations Support. These groups align with the NNSA Strategic Plan goals and objectives, and serve as the basis upon which major performance areas/incentives are developed for each fiscal year performance period.
- 3.9 Contract Scope: Sandia must manage, operate, protect, sustain and enhance SNL’s ability to function as a NNSA Multi-Program Laboratory, while assuring accomplishment of its primary assignment as a nuclear weapons research, development and engineering laboratory. The Scope of Work (SOW) is broad and encompassing in order to reflect all necessary operational functions, as well as management functions necessary to manage SNL and perform the National Defense missions assigned SNL. The SOW does not represent a commitment to, or imply funding for, specific projects or programs.

The scope of the contract activities are in support of scientific and technical programs sponsored by major NNSA and DOE organizations. Primary DOE and NNSA sponsors include:

- Defense Programs
- Nuclear Nonproliferation
- Emergency Operations
- Infrastructure and Environment
- Nuclear Security
- Energy Efficiency and Renewable Energy
- Environmental Management
- Energy Research
- Nuclear Energy, Science and Technology

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The DOE and NNSA work requirements are developed through strategic planning and program plans. All SNL programs and projects from NNSA or other work sponsors are authorized in accordance with the Contract Clause H-2, Performance Direction, and the Clause at DEAR 970.5217-1, Work for Others Program (Non-DOE Work), and must be performed in accordance with the Contract terms and conditions. Work under the Contract must be conducted in a manner that will protect the environment; assure the safety and health of employees and the public; safeguard classified information; and protect special nuclear material. The statement of work can be found at:

[http://www.doeal.gov/mocd/SandiaContractM202/Conformed/\(C\)%206%20AppB\\_SOW\(2-28-07\)%20to%20Mod%20A270.doc](http://www.doeal.gov/mocd/SandiaContractM202/Conformed/(C)%206%20AppB_SOW(2-28-07)%20to%20Mod%20A270.doc)

The Contractor may perform work for non-DOE activities which is consistent with and complementary to NNSA's mission, involving the use of contract equipment, facilities, or personnel. Such proposed work is called Work For Others (WFO) and may be performed for other Federal agencies or non-Federal entities subject to the prior written approval of the Contracting Officer. WFO is addressed in DOE Order 481.1C, Work for Others Programs.

Primary considerations in approving WFO projects are that the proposed work will not place the contractor in direct competition with domestic non-Federal entities, will not adversely impact execution of the contractor's assigned programs, and will not create a potentially detrimental future burden on the commitment of NNSA resources. SSO Operating Procedure entitled "Work for Others-Other Federal Agencies" describes the process used to provide highly specialized or unique NNSA facilities, services, or technical expertise at Sandia National Laboratories to Other Federal Agencies.

## 4.0 Organizational Roles and Contract Oversight Responsibilities

- 4.1 National Nuclear Security Administration: NNSA is a semi-autonomous agency within the DOE responsible for enhancing national security through the military application of nuclear energy. NNSA maintains and enhances the safety, security, reliability and performance of the U.S. nuclear weapons stockpile without nuclear testing; works to reduce global danger from weapons of mass destruction; provides the U.S. Navy with safe and effective nuclear propulsion; and responds to nuclear and radiological emergencies in the U.S. and abroad.

The NNSA is comprised of three Deputy Administrator organizations: NNSA Program Office (formerly known as Defense Programs), Nonproliferation (NN), and Naval Reactors. NNSA discharges its responsibilities for national security, in part, through the conduct of activities in a number of scientific and technical areas at highly specialized production and research facilities owned by the U.S. and managed and operated by contractors. The SNL is one of eight sites making up the NWC and primarily supports the Program Office and NN. The NNSA



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organizational charts may be found at:

<http://hq.na.gov/HR/default.aspx?L=PAGE&ITEM=4745&CA=9&OT=118&PI=1025>

- 4.2 NNSA Administrator: The Under Secretary for National Security (NA-1) for DOE serves as the Administrator for NNSA. The Administrator has authority over, and is responsible for, all programs and activities of the Administration (except for the functions of the Deputy Administrator for Naval Reactors), including the following:

#### Strategic management

- Strategic management
- Policy development and guidance
- Budget formulation, guidance, and execution, and other financial matters
- Resource requirements determination and allocation
- Program Management and direction
- Safeguards and security
- Emergency Management
- Integrated safety management
- Administration of contracts, including the management and operations of nuclear weapons production and national security laboratories
- Intelligence
- Counterintelligence
- Procurement of services of experts and consultants in accordance with Section 3109 of Title 5, United States Code
- Legal matters
- Legislative affairs
- Public affairs
- Liaison with other elements of DOE and with other Federal agencies, state, tribal and local governments, and the public

These responsibilities are executed pursuant to the Atomic Energy Act of 1954, as amended (42 U.S.C. §§ 2011, et seq.), the DOE Organization Act, as amended (42 U.S.C. §§ 7101, et seq.), Public Law 106-65 (50 U.S.C. §§ 2401, et seq.), and other applicable laws.

- 4.3 NNSA Program Offices – NNSA Headquarters provides high-level guidance, sets requirements, defines policy and corporate processes, integrates overall program plans, develops and defends corporate budgets, assists the field in evaluating contractors, evaluates field oversight programs, and works with other governmental customers and stakeholders.
- 4.4 Sandia Site Office (SSO): The SSO provides management and direct oversight of contractor operations through on-site monitoring and surveillance of contractor operations. Under the cognizance of the SSO Manager, the Site Office is the

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primary focal point for inspection of products, services, or reports under the Contract as authorized by the NNSA Administrator. SSO manages and administers the Contract for programmatic and administrative performance. SSO monitors, evaluates, and reports on the contractor's performance and ensures ES&H compliance; security of information and assets; protection of the public and employees; and maintains an emergency response capability. The SSO serves as the focal point for disseminating guidance and contract requirements to the contractor. The SSO Manager acts as spokesperson at the site and coordinates with stakeholders and site-specific advisory boards. The following paragraphs provide an overview of the SSO organizational structure and key management procedures, systems, functions and responsibilities for managing and performing SSO work.

4.4.1 SSO Organization Chart – describes the organizational responsibilities and reflects reporting relationships. SSO maintains a business model for conducting operations in a disciplined manner. The SSO Business Management System (SBMS), which consists of an interrelated set of processes and procedures, is used by the SSO staff to perform their assigned work activities. All of the SSO organizations work together to plan, execute, and evaluate the work, both within and across organizational structures. Detailed functions, responsibilities, and authorities for SSO Management, as well as management interfaces, are defined in SSO Corporate Procedure entitled SSO Functions, Responsibilities, and Authorities Manual (FRAM). The FRAM provides a summation of core functions and responsibilities which integrate with the 10 quality assurance criteria from DOE O 414.1C, Quality Assurance, for the functional areas of management, performance, and assessment. The SSO Organization Chart may be found at <j:/kao/public/SSO> organizational charts and the FRAM is located at <http://scprod.na.gov/sbms/>

4.4.2 SSO Senior Leadership Team – The SSO Manager has established a Senior Leadership Team composed of the Deputy Manager, Assistant Managers, and other designated personnel to serve as an executive management body to facilitate the development and implementation of SSO corporate policies and operating procedures.

4.5 Other DOE/NNSA Offices – NNSA\_HQ and the NNSA Service Center staff offices provide SSO with business, administrative, contractor human relations, financial, property, and other support services, such as assistance in processing Freedom of Information Act requests, investigating claims of discrimination, and help in processing financial, procurement, and personnel actions.

### 5.0 Contract Authorities, Delegations and Limitations

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- 5.1 NNSA Contracting Authorities: In accordance with, BOP-003.0303, “NNSA Contracting Authorities”, authority and responsibility to contract for authorized supplies and services are vested in the Administrator (NA-1). The Administrator has delegated Senior Procurement Executive authority to the Director, Office of Acquisition and Supply Management (NA-63) (OASM). In this capacity, the Senior Procurement Executive has the authority to designate any Head of the Contracting Activity (HCA) within the Administration. The Deputy Director, OASM, has been designated as an HCA. A further delegation of certain HCA authority has been made to the Associate Director, Office of Business Services at the NNSA Service Center. The HCA has the authority to issue and revoke CO warrants. Below the level of the HCA only warranted COs may obligate NNSA by entering into contracts and financial assistance instruments.
- 5.1.1 Authority to direct the NNSA contractor is based on formal appointments and delegations. Staff and oversight components of NNSA are prohibited from tasking contractors to perform any work or activity unless they have been specifically provided with this authority. Only a warranted NNSA CO may task a contractor to perform new work and/or alter the scope of work, or add funds within the limitations of their individual warrants.
- 5.1.2 The NNSA Administrator’s procurement authorities and responsibilities flow through the Senior Procurement Executive to the HCA who, by issuing a warrant, grants procurement authority and responsibility to a CO. NNSA COs for Headquarters, the Service Center and the Site Offices are appointed by the HCA. The SSO Site Manager is appointed as a Contracting Officer, consistent with the requirements of DOE O 541.1A, “Appointment of Contracting Officers and Contracting Officer’s Representatives,” and subject to the limitations established in her appointment.
- 5.2 Senior Procurement Executive (SPE). The NNSA SPE is delegated full contracting authority by NA-1. The SPE has the authority to appoint the HCA and COs. Organizationally, the SPE resides in NA-63. The SPE oversees NNSA’s contracting and financial assistance system and is a Contracting Officer solely by virtue of the position.
- 5.3 Head of the Contracting Activity (HCA) and Authority: All procurement authority at NNSA flows from the NNSA Senior Procurement Executive through the HCA. The Deputy Director of the Office of Supply Chain Management is the HCA for NNSA for all actions not delegated to the NNSA Service Center. All actions that require CO authority are executed by the HCA or by COs appointed by the HCA. As specified in contract clause I.75, DEAR 970.5215-3, Conditional Payment of Fee, Profit, or Incentives, the NNSA Administrator has unilateral determination authority to reduce earned fees if the contractor does not meet minimum contract requirements.

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- 5.4 SSO Manager. The SSO Manager is a senior NNSA manager that provides an on-site, day-to-day presence at SNL. The SSO Manager is responsible for effective contract management and oversight at SNL to ensure the successful implementation of NNSA programs. The SSO Manager is also a CO with authority to administer the Sandia Contract based upon demonstrated individual qualifications and SSO needs. Although the SSO Manager is a warranted CO, she relies largely on the SSO CO to handle most day-to-day administrative contract duties. The Site Manager's specific duties include:
- a. Has primary responsibility for day-to-day oversight and contract management activities at the site. These duties include establishing contractual requirements, operating requirements, work authorization, contactor assessment, acceptance of product and contractor evaluations. This includes the overall safety and security parameters within which the contractor is authorized to operate and ensuring the contractor is making a good faith effort to meet small business subcontracting plan goals.
  - b. Integrates activities at the site with customers from other elements of the DOE, other Federal agencies, and the private sector.
  - c. Appoints CORs.
  - d. Issues the annual PER and associated fee determination in coordination with the NNSA FDO.
- 5.5 Contracting Officer (CO): The CO has sole authority to enter into, administer, or terminate Federal contracts. The CO, through properly written modifications to the contract, is the only person authorized to make changes to cost, scope, and schedule. The CO must ensure that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met. The CO is also responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. The FAR allows the CO wide latitude to exercise business judgment. This duty includes the balanced objective of safeguarding the interests of the United States in its contractual relationships and ensuring that contractors receive impartial, fair, and equitable treatment. FAR 1.602-1 and FAR 1.602-2 describe the authority and responsibility of the CO. The Contracting Officer's specific duties include:
- a. Ensures the requirements of FAR 1.602-1 (b) have been met, and that sufficient funds are certified available for obligation;
  - b. Ensures contractors receive impartial, fair, and equitable treatment;
  - c. Exercises independent business judgment.
  - d. Elevates unresolved issues creating tension between program and business objectives through the Site Manager to the HCA for resolution.
  - e. Appoints qualified CORs to assure mission fulfillment and effective contract administration and management. Appointments will be made by, or concurred in, by the Site Manager.

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- 5.6 Contracting Officer's Representatives (COR): A COR is an NNSA employee appointed by the CO, or Administrator, with specific responsibilities to provide an on-site, day-today presence at production facilities, laboratories, or test site. The CORs' authority to direct the contractor is limited by the terms of their written appointment.

The COR is designated by the CO to advise and assist the CO in management of the contract pursuant to Contract Clause H.2, Performance Direction. The COR has primary responsibility for providing technical direction to the contractor and also performs contract management and performance oversight, with support from appropriate SSO management and staff. The COR is not authorized to change any of the terms and conditions of the contract.

The COR has specific authorities related to technical guidance and inspection and the CO prescribes these in writing. The CO also notifies the contractor in writing of the specific authorities granted to the COR. Contract clause H.20, Performance Direction, identifies the CORs for this contract by name and position title. Specific tasks to be performed by the COR are described in detail in the COR designation letter. CORs are subject to the Ethics in Government Act and the Procurement Integrity Act.

DOE O 541.1B establishes the procedures governing the selection, appointment, and termination of DOE COs and CORs. Additional guidance is provided in BOP-003.0302, "Appointment of Contracting Officer's Representatives (COR) for NNSA Management and Operating Contracts". There are two categories of CORs as described below.

- (1) Site/Service Center Contracting Officer's Representatives: The Site CORs' specific duties include: (a) Monitors contractor performance and reports status to the Site Manager/Contracting Officer, (b) Recommends necessary contractual changes to the Site Manager/Contracting Officer, (c) Inspects and accepts deliverables, and (d) Provides technical/performance direction to the contractor subject to the terms of their appointment. The Site CORs are appointed by the Site CO.

The NNSA Field CFO is the only Service Center COR assigned to the SSO Contract. The CFO was appointed as a COR for all sites across the Nuclear Weapons Complex (NWC) by the NNSA Senior Procurement Executive (NA-63). The CFO's authority is the same as that shown above, plus his duties carried out as allottee for the NWC.

- (2) Headquarters Programmatic Contracting Officer's Representatives: HQ's CORs are NNSA employees appointed by the CO or the NNSA Administrator to perform specific functions including federal oversight of contractor execution of detailed planning, integration, and execution of NNSA programs. These individuals have specific authorities and

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limitations stated in their contract specific appointment memoranda. HQ CORs primarily initiate Work Authorizations and provide the SSO Site Manager assistance in evaluating the contractor's performance. NA-60 maintains a list of current HQ CORs assigned throughout the NNSA along with the contracts to which they are appointed. This list is accessible on the intranet via the NNSA homepage

<http://scweb.na.gov/procurement/MoCORAndWorkAuth.shtm>

NOTE: There is only one type of COR. The modifiers "Site/Service Center" and "Headquarters Programmatic" are used only to identify categories of responsibilities to be accomplished and the different nature of these responsibilities.

- 5.7 Functional Expert: The term "Functional Expert" is synonymous with a "Subject Matter Expert" (SME). The Functional Experts may support the CO in performance of day-to-day contract administration activities. A Functional Expert does not have the authority to act as a designated CO or COR. Therefore, in executing their assigned responsibilities, the Functional Expert is not authorized to change the terms and conditions of the contract, increase or decrease contract cost, determine allowability or unallowability of costs, or provide technical/performance direction. As with CORs, Functional Experts are subject to the Ethics in Government Act and the Procurement Integrity Act.

## 6.0 Contract Administration and Oversight

This section provides a general overview of contract administration and oversight requirements to ensure the prime contractor at SNL is meeting contractual obligations and performance expectations.

- 6.1 Contract Administration Regulations. The NNSA Procurement System is based on a hierarchal structure of statues, regulations, and agency administration directives (policies, orders, letters, manuals and guides). Implementing processes and procedures are described in NNSA Contract Specialist Guides (CSGs). Contract administration is based on FAR and DEAR and DOE and NNSA policy and guidance, including but not limited to DOE Acquisition Letters, NNSA Business Operating Policy Letters (BOP) and M&O Contract Administration Guides. The DOE and NNSA policies and guides may be found at [http://management.energy.gov/policy\\_guidance/procurement\\_acquisition.htm](http://management.energy.gov/policy_guidance/procurement_acquisition.htm) and <http://hq.na.gov/default.aspx?L=PAGE&ITEM=2317&CA=30&PI=2146>, respectively. Required contract administration functions are cited in FAR Subpart 42.3.
- 6.2 Contract Administration and Oversight. Administration and oversight of the SNL contractor is based on the (1) Terms and conditions of the contract, (2) Federal Acquisition Regulation (FAR), (3) Department of Energy Acquisition Regulation (DEAR), (4) DOE and NNSA procurement policies and directives, and (5) other

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applicable laws, rules, and regulations. The SSO implements DOE and NNSA-specific policies, procedures, programs, and management systems pertaining to development and implementation of program controls related to the administration and oversight of prime contracts.

Oversight of the Contractor focuses on whether the Contractor meets the performance objectives, measures and targets in the Performance Evaluation Plan and contract requirements. The SNL Contractor Assurance System is designed to provide dependable, reliable assurance information to executive management, customers, and stakeholders to demonstrate compliance with contract requirements and overall management of the contract. The assurance system is an integral part of the Integrated Laboratory Management System (ILMS) and is designed to integrate assurance, risk management, and quality assurance into a cohesive program. SSO has access to the SNL Assurance Information System and uses such information in the oversight of operational and programmatic functions. Sandia's Contractor Assurance System may be found on Sandia's SRN using ILMS as a key word search.

Contract administration and oversight activities are the responsibility of the SSO Manager, Deputy Manager, Contracting Officers, Contracting Officer Representatives, and subject matter experts with support from the NNSA. Contract administration activities include NNSA's oversight of the contractor's performance of the contract between NNSA and Sandia. Of major importance are the coordination, integration, and monitoring of the technical, safety, regulatory, quality, security and business requirements to ensure that the contractor performs to such requirements.

SSO strives to provide the highest quality of government service and oversight. SSO establishes and maintains a quality culture and work environment to ensure that the highest standards are implemented and maintained. SSO Management has established the following quality objectives for contract management and administration and oversight of the SNL Contractor:

- (1) Provide for effective planning and integration,
- (2) Clearly define roles and responsibilities,
- (3) Clearly define and document processes for accountability and formality,
- (4) Provide quality products and services valued by our customers, and,
- (5) Incorporate lessons learned to continually improve all processes.

- 6.3 SSO Procedures – SSO Functions, Responsibilities, and Authorities Manual (FRAM) – defines SSO core functions, responsibilities, and authorities for programmatic requirements of the contract to ensure day-to-day operations are conducted in a safe, secure, and environmentally sound manner. (Ref. <http://scprod.na.gov/sbms/Doc/Integrated%20Planning/Roles%20&%20Responsibilities/SSO%20FRAM.pdf>) The FRAM describes the roles and responsibilities of SSO organizations and reflects accountability for safety management. It incorporates quality assurance roles and responsibilities, and defines a safety and

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security management approach to managing mission work, including the work associated with maintaining a safe, secure, and reliable nuclear weapons stockpile.

The roles and responsibilities documented in the SSO FRAM flow down from the roles and responsibilities delegated in the NNSA FRAM. Delegations of authority are for such functions as safety, operations, National Environment Protection Act decisions, CO and COR delegations. Within the DOE/NNSA and SSO, the safety management functions, responsibilities and authorities are founded upon the principles and functions of integrated safety management to accomplish NNSA mission requirements. The FRAM document addresses the two guiding principles of safety management: 1) line managers are responsible for the protection of employees, the public, and the environment; and 2) DOE/NNSA and its contractors must clearly define and maintain the lines of responsibility for ensuring protection of the environment, safety and health at all organizational levels. The FRAM document also incorporates all pertinent NNSA functions, responsibilities and authorities and clearly identifies any authority that has been transferred to or from other organizations. The functional responsibilities of the SSO management team are provided in the FRAM.

The overarching benefits of issuing a comprehensive FRAM are the elimination of ambiguities related to safety responsibilities and definition of the interfaces between NNSA, SSO, NNSA Service Center, and the contractor. The primary documents that form the basis of the FRAM include the prime contract, Quality Assurance Plan, Integrated Safety and Security Management Description, and the Environmental Management System Description, as described below:

- 6.3.1 SSO Business Management System (SBMS). Management systems and processes have been established at SSO to ensure a structured contract oversight program of the M&O contract through the key programs and systems described below. The SBMS, which consists of an interrelated set of processes and procedures, is used by the SSO staff to perform their assigned work activities. The SBMS is a web-based collection of documents that control and execute SSO requirements and provide the framework, structure and access to SSO Procedures and other business documents that describe how work is accomplished to efficiently and effectively manage and perform SSO mission requirements. The procedures that form the SBMS are organized into fourteen functional areas, and are either corporate (applicable to all SSO organizations), crosscutting (applicable to multiple SSO organizations), or operating (unique to one office). Procedures that define work processes are identified and documented through the SBMS Master Procedure Index. The work is defined and linked to the organization's mission.
- 6.3.2 SSO Quality Assurance Program (QAP). The purpose of the SSO QAP is to define a comprehensive quality management system. The QAP



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identifies how the SSO staff will provide the highest quality of Government services and oversight of facilities and contracts under the site office's authority. The processes and procedures ensure a quality culture and work environment that meets the highest standards, identifies and resolves problems, and continually pursues improvement. Requirements and expectations defined in the QAP interface with the Performance Evaluation Process, Annual Oversight Plan, and the FRAM

6.3.3 SSO ISSM Program. A principal objective of the ISSM Program is to integrate Safeguards and Security into management and work practices at all levels, based on program line management's risk management-based decisions, so that missions may be accomplished without security events, such as interruptions, disruption or compromise. This approach includes individual responsibility and implementation of the security requirements.

6.3.4 SSO Environmental Management System. The Environmental Management System (EMS) is a set of processes and practices that enable SSO, in its oversight functions, to reduce environmental impacts at SSO and increase overall operating efficiency.

6.4 SSO Contract Administration and Business Management (CABM). The CABM office is responsible for providing direction, day-to-day oversight and contract administration activities related to the Sandia M&O Contract and associated business management functions. This includes oversight of Sandia's Small Business Program and Purchasing and Property Management Systems.

SSO Assistant Managers for Safeguards and Security; Programs; Facility Operations; Facilities, Projects & Safety Basis; and Environment, Safety, Health & Quality Assurance are responsible for day-to-day operational and programmatic oversight activities for the technical aspects of their functional areas of responsibility.

SSO utilizes the Pegasus Information Management System in which assessments are scheduled, tracked, and reported and in which issues and correspondence are managed, and corrective actions are tracked to ensure timely completion and quality in all aspects of SSO work by enforcing contract compliance and ensuring a high level of data integrity and availability. Pegasus may be found at <https://scprod.na.gov/PegasusSSO/Login.aspx?ReturnUrl=%2fPegasusSSO%2fMainMenu.aspx>

6.5 Contract Clauses

The contract clauses set forth the contractual requirements and government remedies associated with a comprehensive oversight approach to management and administration of the Contract to ensure contract compliance and contractor performance expectations are met. The following are examples of special

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contract clauses that implement NNSA's commitment to improving the effectiveness and efficiency of the Nuclear Weapons Complex and those clauses that provide the Contractor the flexibility to improve its management and performance and implement the model contract.

### 6.5.1 Redefining the Federal/Contractor relationship to Improve Management and Performance (Contract Clause H-1)

This provision sets forth an overview of NNSA's approach to improving the effectiveness and efficiency of the NWC as follows:

(1) Clarifies the contractual relationship. NNSA will provide direction regarding what NNSA wants in each of its programs; and the Contractor shall determine how the program is executed and shall be accountable for performance in accordance with the terms and conditions of the Contract;

(2) Approach to Oversight. NNSA will rely on increased Contractor Accountability as a result of implementation of the Contractor's Site Assurance System. In certain areas, NNSA oversight will focus on evaluating systems and performance rather than transactions. NNSA will transition its oversight of programs, projects, business systems and ongoing operations from a transactional to a performance and system based approach.

(3) Empowering Contractor Expertise. NNSA will allow the Contractor to identify and evaluate, for NNSA approval, best commercial standards and best business practices and to pursue improvements in aspects of Contract performance where cost effective and efficient improvements can be achieved. The Contractor is encouraged to use the private-sector expertise of its parent organization to improve Contract performance as appropriate.

(4) Results-Oriented, Streamlined Performance Appraisal. A results-oriented, streamlined performance appraisal process will be established with critical performance objectives, measures, and targets that focus on those areas of greatest strategic value to NNSA using systems-based metrics.

(5) Reward for Achieving Cost Efficiencies. The Contractor will be rewarded for the achievement of cost efficiencies through onsite investment of cost savings and the potential to earn additional contract term.

### 6.5.2 Performance Direction (Contract Clause H-2)

The Contractor is responsible for the management, integration, and operation of SNL in accordance with the Terms and Conditions of the Contract, duly issued Work Authorizations (WAs), and written direction and guidance provided by the Contracting Officer and the COR. NNSA is responsible for establishing the work to be accomplished, the applicable standards and requirements to be met, and overseeing the work of the

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Contractor. The Contractor will use its expertise and ingenuity in contract performance and in making choices among acceptable alternatives to most effectively and efficiently accomplish the work.

Only the Contracting Officer may assign, modify, and priority rank WAs. The Contracting Officer and the NNSA Administrator will appoint, in writing, specific NNSA employees as CORs with the authority to issue Performance Direction to the Contractor.

### 6.5.3 Contractor Assurance System (Contract Clause H-3)

- (a) The contractor shall develop a Contractor Assurance System that is approved and monitored by the Sandia Board of Directors. The Contractor's Assurance System, at a minimum shall have the following key attributes:
- (1) A comprehensive description of risks, key activities and accountabilities clearly identified.
  - (2) A process for notifying the Contracting Officer of significant assurance system changes.
  - (3) Rigorous, risk based credible self-assessments, feedback and improvement activities, including utilization of nationally recognized experts, and other independent reviews to assess and improve its work process and to carry out independent risk and vulnerability studies.
  - (4) Identification and correction of negative performance/compliance trends before they become significant issues.
  - (5) A method for validating assurance processes.
  - (6) Integration of the assurance system with Contractor management systems including Integrated Safety Management.
  - (7) A process for defining performance metrics and performance targets to assess performance, including benchmarking of key functional areas with other NNSA/DOE contractors and industry and research institutions to enhance processes and to assure development of performance metrics and performance targets to achieve best in class/industry performance where efficient and cost effective.
  - (8) Continuous feedback and performance improvement.
  - (9) An implementation plan that defines a transition period for implementation of the Contractor Assurance System.
  - (10) A process for timely and appropriate communication to the Contracting Officer, including electronic access, of assurance related information.

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- (b) The Contracting Officer will utilize internal and external reviews required by this clause as a significant factor in determining adequacy of the Contractor's management systems. NNSA's oversight includes insight and access to Sandia's Contractor Assurance System.

### 6.5.4 NNSA Oversight (Contract Clause H-4)

- (a) Oversight of Nuclear Facility Operations, Safeguards & Security, and Other High Hazard Activities. For nuclear facility operations, safeguards & security, and other high hazard activities identified by the CO, NNSA oversight shall be performed at the transactional level. If NNSA is satisfied that the Contractor Assurance System is effective and has resulted in an improvement in the Contractor's performance in key functional areas, NNSA will consider conducting oversight at the systems level.
- (b) Oversight of Non-Nuclear Facilities. Once the CO is satisfied that the Contractor Assurance System is operating effectively, NNSA will consider oversight of the Contractor's Non-Nuclear Facilities operations at the systems level. NNSA, with Contractor input, will develop performance metrics and performance targets as the means of defining NNSA's performance level expectations of the Contractor. Oversight of Programs, Projects, and Business Systems. In accordance with the Contract Clause entitled "Performance Based Management" the Parties will identify key end products and services that the Contractor provides to the Nuclear Weapons Complex.
- (c) Oversight of the Contractor will focus on whether the Contractor meets the performance objectives, measures and targets in the Performance Evaluation Plan and the performance metrics and targets in the Contractors Assurance System. If the Contractor fails to achieve a performance measure or target, the Contractor shall develop a recovery plan and NNSA may increase its oversight of these areas until performance is corrected.

### 6.5.5 Accountability (Contract Clause H-5)

The contractor is responsibility for the quality of its products and for assessing its operations, programs, projects and business systems, and identifying deficiencies and implementing needed improvements in accordance with the terms and conditions of the Contract, regardless of whether NNSA has evaluated the Contractor's performance in any area of the Contract. The purpose of NNSA oversight is for assessing the

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Contractor's performance in meeting its obligations under the Contract. NNSA oversight shall not be relied upon by the Contractor in assessing its performance.

### **6.5.6 Standards Management (Contract Clause H-6)**

The Contractor must regularly benchmark with industry to identify best commercial standards and best business practices that will improve site operations with the goal of improving performance where cost effective. In this context, the term "standard" encompasses DOE Directives, DOE/NNSA requirements and mandates, and national and international consensus and generally accepted standards in accordance with NNSA policy. Once NNSA has completed and issued a new policy for tailoring standards, the parties use a jointly agreed upon process to tailor standards to be used at SNL across all applicable requirements. The Contracting Officer provides final approval of those standards accepted by NNSA.

### **6.5.7 Utilization of Parent Corporate System (Contract Clause H-7)**

If the Contractor, in the interest of efficiency and effectiveness of business operations, decides to adopt or adapt its parent corporate systems or services it will ensure that the Government and Contractor's data in such systems is readily transferable to a successor contractor.

### **6.5.8 Contractor Reinvestment of Cost Efficiencies (Contract Clause H-8)**

Prior to the beginning of each fiscal year, or as soon as practical after the budget is determined, the NNSA and the Contractor will identify and agree upon listings of unfunded priority direct mission work identified by specific appropriation and budget and reporting category. Throughout the fiscal year, the Contractor shall apply cost efficiencies achieved through streamlining systems and operations only to unfunded priority direct mission work within the same appropriation and budget and reporting category (ECOR Control Level) unless a formal reprogramming action is approved by NNSA. Indirect cost efficiencies shall be returned to the mission work in the form of reduced indirect rates or applied only to unfunded priority indirect work, which has been approved and documented by Sandia through its Program Leader Council as a part of the Integrated Enabling Services Investment Process. The extent of unfunded priority work accomplished in each fiscal year shall serve as a key performance target when measuring the Contractor's success in improving performance and achieving cost efficiencies. Although it is the intent of the NNSA that the Contractor shall apply cost efficiencies at SNL, the NNSA reserves the right to reallocate direct mission work cost efficiencies to other programmatic mission critical needs.

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### 6.5.9 Contractor Multi-Year Laboratories' Vision for Continuous Improvement (Contract Clause H-9)

The Contractor shall prepare a multi-year Laboratories' Vision detailing its planned efforts, and anticipated results in improving its management and performance. The Contractor shall include a description of contributions of the corporate parent to improving site management and performance and a description of the Contractor's approach to participation within and coordination with the NNSA Weapon Complex. The Laboratories' Vision shall be submitted to the CO annually and shall be consistent with the Contractor's Institutional and Site Facility Plan.

### 6.5.10 Performance Based Management (Contract Clause H-10)

The Contract is a management and operating performance-based contract, which holds the Contractor accountable for performance. This Contract uses clearly defined standards of performance consisting of performance objectives in relation to fixed fee, performance incentives as described in Contract Clause entitled "Performance Incentives" and award term incentives as described in Contract Clause entitled "Award Term" with measures and targets for each area agreed to in advance on a fiscal year basis and incorporated into the Performance Evaluation Plan. The Parties agree to continuously improve upon these standards of appraising Contractor performance.

### 6.5.11 Performance Incentives (Contract Clause H-11)

- (a) Performance Incentives Negotiations. The parties shall establish specific Performance Incentives that the contractor will be assessed against for fee determination in accordance with the Contract Clause entitled "Performance-Based Management".
- (b) Determination of Performance Incentives. At the conclusion of each specified appraisal period, the NNSA evaluates the Contractor's performance for all Performance Incentive requirements. Performance factors will be evaluated in the aggregate. The Performance Incentive fee determination will be made in accordance with the Performance Evaluation Plan. The determination as to the amount of Performance Incentive fee earned is a unilateral determination made by the Fee Determining Official (FDO). The Contractor shall be promptly advised in writing of the Performance Incentive fee determination, and the basis of the Performance Incentive fee determination. Performance Incentive fee not earned during the evaluation period shall not be allocated to future evaluation periods.

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- (c) Fee. The maximum fees allocated for payments to the Contractor for performance of the work under the Contract are set forth in Part I, Section B, of the Schedule. The fixed fee amount together with Performance Incentive fee earned is available for payment in accordance with the Contract Clause entitled “Payments and Advances”. There shall be no adjustment in the amount of the Contractor’s fee by reason of differences between any estimate of cost for performance of the work under the Contract and the actual cost of performance for that work.

### 6.5.12 Section I, Clause 72, Laws, Regulations and DOE Directives:

- (a) In performing work under the Contract the Contractor must comply with the requirements of applicable Federal, State, and local laws and regulations (including DOE Directives), unless relief has been granted in writing by the appropriate regulatory agency.
- (b) The Contractor must comply with the requirements of DOE directives, or parts thereof, identified in the List of Applicable Directives as set forth in Section J, Appendix G to the Contract. New and updated Laws, Regulations and DOE Directives are incorporated into the contract by formal modification by the Contracting Officer. Prior to revising the List of Applicable Directives, the Contractor is notified in writing of the Government’s intent and given an opportunity to assess the effect of the contractor’s compliance with the revised list on contract cost and funding, technical performance, and schedule; and identify any potential inconsistencies between the revised list and other terms and conditions of the contract. SSO procedure entitled “Directives” provides uniform guidance for incorporating new or reviewed directives into the Contract. NNSA Contract Management Administration Guide (CAG) D-970-5204-2, Directives Procedure, also provides guidance (<http://scweb.na.gov/procurement/contractadminguides.shtm>). DOE directives can be found at <http://www.directives.doe.gov/>

### 6.5.13 Section I, Clause I.69, Management Controls:

The Contractor is responsible for maintaining, as an integral part of its organization, effective systems of management controls for both administrative and programmatic activities. Management controls comprise the plan of organization, methods, and procedures adopted by management to reasonably ensure that: the mission and activities assigned to the contractor are properly executed; efficient and effective operations are promoted; resources are safeguarded against waste, loss, mismanagement, unauthorized use, or misappropriation,

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all encumbrances and costs that are incurred under the contract and fees that are earned are in compliance with applicable clauses and other current terms, conditions, and intended purposes; all collections accruing to the contractor in connection with the work under this contract, expenditures, and all other transactions and assets are properly recorded, managed, and reported; and financial statistical, and other reports necessary to maintain accountability and managerial control are accurate, reliable, and timely. The systems of controls employed by the contractor shall be documented and satisfactory to DOE.

- 6.5.14 Key Personnel: Sandia employees determined to be necessary for the successful performance of the Contract are identified in the Contract Clause entitled "Key Personnel" in Part III, Section J, Appendix D, of the Contract. Changes to Key Personnel are subject to the approval of the Contracting Officer, pursuant to the Contract Clause entitled "Key Personnel." Position title designations of the Key Personnel do not signify officers of the Sandia Corporation.

### 7.0 Communication Protocols

The following guidance is provided related to communications between NNSA and the contractor in executing the contract and interfacing with the public. Due to varying degrees of contract authority and responsibility delegated within the current Sandia Contract, both formal and informal communication protocols must be adhered to by all parties to prevent the misapplication of contract effort and direction. The SSO Manager serves as an integrator and coordinator for most operational areas of responsibility on site and provides a structured and integrated approach for coordinating oral and written directions between DOE/NNSA Headquarters, the NNSA Service Center, SSO, other DOE and NNSA offices, and Sandia Corporation.

- 7.1 Public Communications. The Contractor is responsible for developing a communication strategy for communicating with the public and must cooperate with the Department in releasing information to the public and news media regarding DOE policies, programs, and activities related to its effort under the contract. The responsibilities under Contract Clause I.57, DEAR 952.204-75, Public Affairs, must be accomplished through coordination with the SSO CO and appropriate DOE public affairs personnel in accordance with procedures defined by the CO. This responsibility shall be carried out in such a manner that the public has a clear understanding of the Contractor's relationship to the Government.
- 7.2 Formal Communications. All formal direction to the contractor is issued by the NNSA Manager (as CO), or as delegated, the CO, or the COR within designated authority. Such direction must be in writing, but on occasion may be provided orally in meetings, briefings, phone, or video conferencing. A written record of



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direction should be created for such oral directions. Any written record of direction by a COR is to be made accessible to or furnished to the CO. Only the SSO CO has the authority to interpret the contract terms or make changes to the contract.

Correspondence will include the following statement, where applicable:

*“The Government considers this action to be within the scope of the existing contract and therefore, the action does not involve or authorize any delay in delivery or additional cost to the Government, either direct or indirect.”*

The following caveat should be included within the body of correspondence issued by the COR:

*“If in my capacity as a Contracting Officer’s Representative (COR), if I provide any direction which your company believes exceeds my authority, you are to immediately notify the Contracting Officer and request clarification prior to complying with the direction.”*

The CO must receive a copy of technical direction correspondence when issued. Only the SSO CO has the authority to make changes to the contract. CORs must consult with the CO when in doubt or the contractor questions the COR’s authority.

To ensure correspondence control, all formal correspondence is addressed to the contractor’s local contract manager and cites the contract number and applicable contract provision (if applicable) in the letter’s subject line. Formal communication to and from the contractor is entered into the Pegasus Information Tracking System for SSO with commitments appropriately assigned and tracked for timely completion.

- 7.3 **Informal Communications:** Informal communications can occur between NNSA employees and any contractor employees. This type of communication is non-binding for both the government and the contractor and does not constitute contract direction (i.e., formal communication). Informal communication can take the form of electronic mail, retrievable databases, telephone, facsimile, presentations, meetings, and other means. Informal communications between NNSA and contractor staff are needed for proper oversight coordination. This communication should be constructive in nature. In their informal communications, NNSA staff need to avoid the impression the communications are formal. When the CO or COR is engaging in informal communications, care must be taken to identify those communications as non-binding.

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## 8.0 Contract Performance Management

### 8.1 Planning and Programming:

The DOE and NNSA work requirements for the National Laboratories are developed through strategic planning and program plans that support and align with DOE Strategic Plans and NNSA Strategic Goals and Objectives, the NNSA Future Year Nuclear Security Plan, Nuclear Weapons Stockpile Memorandum, and Planning and Production Directives related to SNL. Program Plans are the primary documents used to make key programming decisions and develop budgets within the DOE/NNSA. Annual Operating Implementation Plans and metrics for program execution and evaluation, and contract performance agreements are based on the Program Plans.

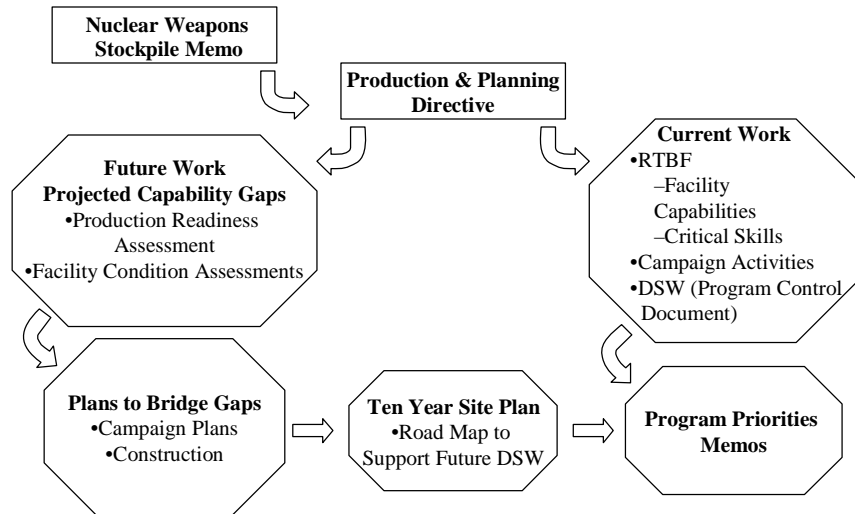
8.1.1 Planning. This step of the Planning, Programming, Budgeting, and Execution (PPBE) system is mainly a DOE/NNSA Headquarters function. In this phase the customer requirements are determined by HQ. The requirements are then communicated to the Site Offices. The Site Office provides feedback as to whether or not it can support those requirements for the long-term NNSA plan and identifies the requirements that are not supportable over the next 10 years.

8.1.2 Programming. During the programming phase, HQ sends guidance to the Site Offices as to their requirements and budgets. The Contractor develops budgets and estimates to support the requirements with oversight from the Site Office. Priority is determined, and a list of unfunded requirements is developed.

Work programs are developed by the Contractor and approved by NNSA in accordance with DOE Order 412.1A, Work Authorization System. Work programs may include program and project performance objectives and milestones. The Contractor conducts a strategic planning process and develops Institutional Plans in consideration of NNSA provided planning guidance and strategic planning material to assure consistency with NNSA mission and goals.

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Figure 1  
PLANNING/PROGRAMMING



To make the work program and budget most effective in assuring comprehensive coverage of NNSA missions, it is the responsibility of NNSA to keep the Contractor advised of NNSA's overall program goals, scientific and technological problems, and current long-range objectives. The Contractor may propose possible new objectives and present preliminary work programs in areas of competence which, will either: (1) strengthen the overall NNSA program or provide additional support in areas which, in the Contractor's judgment, are being inadequately exploited; or (2) initiate new areas of investigation which appear of potential importance.

## 8.2 Budgeting.

NNSA and the contractor maintain a budget system for the formulation and execution of resource requirements. SSO is involved in budget formulation and content; however, the budget formulation and execution functions are integrated at DOE/NNSA Headquarters.

In developing the budget, NNSA provides workload parameters to the Contractor in the form of budget guidance. Based on requirements and milestones, the Contractor submits detailed budget estimates through SSO. These estimates are reviewed by the NNSA Program Office and SSO subject matter experts for accuracy. The proposed budget is forwarded to the NNSA Program Office for a Program Budget Review. Once the NNSA Program Office is satisfied with the budget submission, it is forwarded to the Office of Management and Budget (OMB) along with the Future Years Nuclear Security Plan (FYNSP). OMB

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reviews the budget and provides comments to NNSA. Comments are resolved by the NNSA Program Office and the final budget is submitted to OMB, the President, and Congress, where work and funds are authorized and appropriated. Once the NNSA Program Office receives the authorized and appropriated budget, it allocates dollars to the various field offices by budget and reporting (B&R) codes throughout the FY.

Prior to the beginning of each fiscal year, or as soon as practical after the budget is determined, the NNSA and the Contractor will identify and agree upon listings of unfunded priority direct mission work identified by specific appropriation and budget and reporting category. Throughout the fiscal year, the Contractor shall apply cost efficiencies achieved through streamlining systems and operations only to unfunded priority direct mission work within the same appropriation and budget and reporting category (ECOR Control Level) unless a formal reprogramming action is approved by NNSA. Indirect cost efficiencies shall be returned to the mission work in the form of reduced indirect rates or applied only to unfunded priority indirect work, which has been approved and documented by Sandia through its Program Leader Council as a part of the Integrated Enabling Services Investment Process. The extent of unfunded priority work accomplished in each fiscal year shall serve as a key performance target when measuring the Contractor's success in improving performance and achieving cost efficiencies. Although it is the intent of the NNSA that the Contractor shall apply cost efficiencies at SNL, the NNSA reserves the right to reallocate direct mission work cost efficiencies to other programmatic mission critical needs.

### 8.3 Work Authorizations

NNSA is responsible for establishing the work to be accomplished, the applicable standards and requirements to be met, and overseeing the work of the Contractor. The Contractor will use its expertise and ingenuity in contract performance and in making choices among acceptable alternatives to most effectively and efficiently accomplish the work.

As soon as possible after October 1 of each year, NNSA provides Work Authorizations and an Approved Funding Program (AFP) to the Contractor for the current Fiscal Year. NNSA approved work programs, program performance expectations and milestones, as appropriate, and budget estimates are reflected in Work Authorizations, Annual Program Letters, Activity Data Sheets, Program Baseline Summaries, and AFPs.

The guidelines for directing work to be performed by the contractor and for managing scope, cost, and schedule are set forth in Section J., Appendix G, and DOE Order 412.1A, Work Authorization System (WAS). Only the Contracting Officer may assign, modify, and priority rank WAs. The Contracting Officer and the NNSA Administrator appoint, in writing, specific NNSA employees as CORs with the authority to issue Performance Direction to the Contractor. SSO's

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process for issuing WAs is described in SSO Corporate Procedure entitled “Work Authorization System Procedure”. Work related to Work for Others is not included in this procedure.

Work for Others is processed in accordance with SSO Corporate Procedures entitled “Work-For-Others – Other Federal Agencies”, or “Work-For-Others – Non-Federal Agencies”, and in accordance with applicable DOE Directive DOE O 481.C, WFO Programs. Work for Others (Non-DOE Work) is authorized in accordance with Clause I.107, DEAR 970.5217-1, Work for Others Program (Non-DOE Work).

## 9.0 Execution/Evaluation (Contractor Appraisal Process)

### 9.1 Background

The Contract sets forth fixed-fee provisions, and performance incentives and Award Term provisions which are earned based on contractor performance. The amount of the performance fee to be paid is determined by the Government’s judgmental evaluation of the contractor’s performance in terms of the criteria stated in the contract.

SSO develops a Performance Evaluation Plan (PEP) as required by Contract Clause H- 10, Performance Based Management. Performance incentives covered in the PEP are linked to DOE and NNSA Strategic Plans, NNSA Program Office Performance Priorities and Deliverables, Contract Requirements, and other key inputs that are aligned with the performance evaluation process. At the conclusion of the evaluation period, NNSA evaluates the contractor’s performance and issues a Performance Evaluation Report (PER). The PEP and PER are developed consistent with SSO Corporate Procedure entitled “Performance Evaluation Plan/Performance Evaluation Report Procedures” for the NNSA oversight of the Management and Operating Contractor managing SNL.

Sandia’s Contractor Assurance System (CAS) is approved and monitored by the Sandia Board of Directors. The SNL Assurance Information System (AIS) is a key portal by which dependable, reliable assurance information is communicated to management, customers, stakeholders. The assurance system is designed to integrate assurance, risk management, and quality assurance into cohesive program. SSO uses the data in Sandia’s Contractor Assurance System to assess Sandia’s performance. SSO also uses data from internal/external reviews and operational awareness activities to assess performance. As Sandia’s CAS is refined and matured, SSO’s oversight will refine and mature. Oversight is intended to be conducted from a system level perspective to the maximum extent possible. The goal is to reduce the number of independent assessments when the contractor demonstrates an effective self-assessment program that includes self-

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identification, taking appropriate corrective actions and successful follow-on action to prevent recurrence and improve and sustain acceptable performance. If the contractor's performance is deficient, and management processes have not produced the desired results, SSO will increase its oversight in order to protect the government's interest. A general exception to the systems level oversight approach will be for nuclear facilities and safeguards and security activities.

### 9.2 Performance Evaluation Planning:

The purpose of the PEP is to document the process and the performance criteria by which the DOE/NNSA will appraise the Contractor's performance in its management and operation of SNL for fee determination. The SSO Manager and staff develop the PEP with involvement of NNSA Headquarter Contracting Officer Representatives and program officials. Prior lessons learned are considered. The PEP covers one fiscal year of performance and will vary from year to year as management emphasis and Sandia's performance evolve over time. The PEP is composed of subjective and objective (performance based) incentives and encompasses the following three separate performance criteria.

- (1) Performance Objectives. – Performance criteria associated with Fixed Fee work. Performance Objectives may be structured into general areas of activities known as performance groups. These groups consist of activities critical to the Sandia's management of corresponding programs, projects and processes. Performance Objectives are rated adjectively and also scored/weighted.
- (2) Performance Incentives – Performance criteria associated with “At-Risk” Fee work. These criteria will be rated adjectively and in aggregate. The amount of incentive fee earned is a unilateral decision of the Fee Determining Official (FDO).
- (3) Award Term Incentives – Performance criteria offering an opportunity to non-competitively extend the Contract's period of performance. For each year of outstanding performance (as reflected in performance criteria ratings), Sandia has the opportunity to be considered for a one-year extension to their Contract period of performance.

The Parties will strive to reach mutual agreement on expected business, operational and technical performance and will work together to develop performance objectives, performance incentives, award term incentives and associated measures and targets tied to key deliverables and NNSA/DOE strategic goals and objectives. The NNSA Sandia Site Office Manager reserves the unilateral right to make the final decision on all performance objectives and performance incentives (including the associated measures and targets) used to evaluate Contractor performance. The NNSA Administrator reserves the unilateral right to make the final decision on all award term incentives (including

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the associated measures and targets) used to evaluate Contractor performance. In the event that the Government or the Contractor fails to agree on any of the PEP areas, a unilateral determination will be made by the CO.

### 9.3 Contract Oversight/Surveillance:

- 9.3.1 NNSA oversight responsibilities of the contractor are to monitor, evaluate, and report on contractor performance to contract requirements. NNSA fulfills these responsibilities through the review and analysis of selected internal performance indicators and results from contractor self-assessment activities, independent assessments, and direct observation of contractor performance through the Contractor Assurance System. Oversight of the Contractor will focus on whether the Contractor meets the performance objectives, measures and targets in the Performance Evaluation Plan and the requirements of the contract.
- 9.3.2 SSO staff and Sandia personnel collaboratively work throughout the year to monitor Sandia performance against the current PEP and remaining contract requirements. Open communication is encouraged between the parties and stakeholders. The Contractor is responsible for the quality of its products and for assessing its operations, programs, projects and business systems and identifying deficiencies and implementing needed improvements in accordance with the terms and conditions of the Contract, regardless of whether NNSA has evaluated the Contractor's performance in any area of the Contract.
- 9.3.3 NNSA will rely on increased Contractor Accountability as a result of implementation of the Contractor's Site Assurance System, and Contractor Self-Assessments, certifications, audits, independent assessments, peer reviews, external reviews, etc
- 9.3.4 Pegasus is the unclassified SSO electronic Information Management System in which assessments are scheduled, tracked, and reported and in which issues and correspondence are managed, and actions tracked. SSO utilizes Pegasus for assessments and issues management including action tracking and corrective action tracking to ensure timely completion of deliverables.
- 9.3.5 Joint Performance Review Teams (JPRTs) – Meet at least quarterly. These teams, comprised of SSO and SNL subject matter experts and aligned in accordance with the performance criteria set forth in the PEP, review progress, successes, problems, future objectives, etc., and seek continuous improvement.
- 9.3.6 Joint Performance Council (JCP) – Comprised of senior Sandia and SSO personnel, meet quarterly to review successes, progress and issues

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impeding accomplishment of objectives. The JCP may also recommend modification to the PEP based on lessons learned. Only the Contracting Officer may revise the Performance Evaluation Plan during the appraisal period of performance. The JCP also identifies lessons learned and makes recommendations for improvements to the overall evaluation process.

### 9.4 Performance Evaluation Report (PER):

At the conclusion of each specified evaluation period, NNSA evaluates the contractor's performance for all requirements, including performance objectives, measures, and award term incentives. Prior to the end of the evaluation period, SSO develops a validation plan that describes how Sandia's performance will be assessed against the criteria set forth in the PEP. Performance factors will be evaluated in the aggregate.

Based on the Government's evaluation of the contractor's performance, the PER is prepared in accordance with the criteria set forth in the PEP. The Contractor is given an opportunity to comment on the draft PER. The final report is prepared after considering the contractor's input and comments. The SSO Manager is responsible for the ultimate content and recommendations in the PER, regardless of the Contractor's comments.

The PER is forwarded to NNSA/HQ for review and concurrence. The SSO Manager briefs the NNSA Administrator, who is the FDO. Should the NNSA Administrator disagree with the SSO Manager's recommendation regarding incentive fee and award term, as the FDO, the Administrator may override the SSO Manager's decision.

Upon receipt of final approval of the PER from NNSA/HQ, the PER is forwarded to the Contractor, and earned fee is administratively added to the Contract. The process culminates with the SSO Manager's briefing to the Sandia Board of Directors on Sandia's annual performance.

### 9.5 Fee Determination

The fee determination is a unilateral decision by the FDO. The NNSA Sandia Site Office Manager will issue the Fee Determination Official's final total performance incentive fee amount earned determination in accordance with the Performance Evaluation Plan. However, a determination must be made within sixty calendar days after the receipt by the Contracting Officer of the Contractor's self assessment, or seventy calendar days after the end of the evaluation period, whichever is later, or a longer period if the Contractor and Contracting Officer agree. The maximum fees allocated for payments to the Contractor for performance of the work under the Contract are set forth in Part I, Section B, of the Schedule. The fixed fee amount together with Performance Incentives fee earned is available for payment in accordance with the Contract Clause entitled



# SSO Contract Management Plan

“Payments and Advances”.

## 10.0 Feedback and Improvement

SSO strives to provide the highest quality of government service and oversight and has established and maintains a quality culture and work environment to ensure that the highest standards are implemented and maintained. SSO Management has established the following quality objectives for contract management and administration and oversight of SNL:

- (1) Provide for effective planning and integration,
- (2) Clearly define roles and responsibilities,
- (3) Clearly define and document processes for accountability and formality,
- (4) Provide quality products and services valued by our customers, and,
- (5) Incorporate lessons learned to continually improve all processes.

DOE Order 226.1, Department of Energy Oversight Policy, defines six techniques of oversight for both federal and contractor activities. SSO uses a risk based approach to determine the level of oversight. The risk based approach is documented in the SSO Risk Based Oversight Procedure which incorporates the six oversight techniques from DOE O 226.1. This procedure establishes processes for assessing the SNL Contractor performance including system level oversight and transactional level oversight. This procedure is consistent with DOE Order 226.1, Implementation of Department of Energy Oversight Policy.

Oversight of the Contractor is based on risk, functional area health and confidence in the CAS. The process consists of determining residual risk associated with the Contractor's implementation of its CAS and the SSO confidence in the Contractor's CAS. A Master Assessment Plan (MAP) documents the scope for the SSO CAS oversight activities. As required by DOE O 226.1A, Line Oversight Plans are developed for Contract Administration and Business Management as well as major functional areas including Integrated Safety Management, Safeguards and Security, Cyber Security, and Emergency Management.

## 11.0 Reports and Other Deliverables

### 11.1 Requirement:

The Contractor is required to prepare, submit, disseminate, or otherwise publish financial, schedule, scientific and technical performance plans and reports, and other information and deliverables consistent with the needs of the various programmatic sponsors and other customers, and as required in the contract or as specifically required by the CO.

# SSO Contract Management Plan

## 12.0 References

Federal Acquisition Regulations

Department of Energy Acquisition Regulations

Contract, DE-AC04-94AL85000, Sandia Corporation

DOE P 226.1A, Department of Energy Oversight Policy

NNSA Directives (NAP) and Business Operating Plans (BOP)

NNSA Contract Administration Guides (CSG)

SSO Business Models-Procedures Plans (SBMS)

- Corporate Police and Procedures
- Functions, Responsibilities, Authorities Manual (FRAM)
- Quality Assurance Program
- ISSM Program Plans
- ISM Program Plans
- Environmental Management System
- Performance Evaluation Plan (PEP)/Performance Evaluation Report (PER)
- Master Assessment Plan (MAP)
- Risk Based Oversight
- Work Authorization System
- Work for Others Program
- SSO Records Management Procedures