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United States Government **Department of Energy**

memorandum

DATE: January 5, 2006 Audit Report Number: OAS-L-06-05

REPLY TO
ATTN OF: IG-32 (A04LL017)

SUBJECT: Audit Report on "Management Controls over Technologies at the Special Nuclear Material Component Requalification Facility"

TO: Deputy Administrator for Defense Programs, NA-10

INTRODUCTION AND OBJECTIVE

In support of the enduring stockpile, pits must now be recertified or requalified each year. This process ensures that these components, which will be reused to rebuild war reserve weapons in the enduring stockpile, continue to perform as designed for their required service life. Accordingly, in 2001 the National Nuclear Security Administration (NNSA) assigned the Pantex Plant (Pantex) the responsibility to construct the Special Nuclear Material Component Requalification Facility (Requalification Facility) and develop advanced technologies for the recertification and requalification of the pits. The Requalification Facility project began in July 2001 and was to include 18 advanced technology work stations to recertify and requalify pits for at least two weapon types. It is scheduled to be completed by April 26, 2006, and is estimated to cost about $20 million. Completion of the facility by the due date is essential since it could impact a key Los Alamos National Laboratory (Los Alamos) weapon life extension program (refurbishment) milestone. NNSA does not currently have the facility nor advanced capabilities to recertify and requalify pits.

We initiated this audit to determine whether NNSA and Pantex are on schedule to complete the design and installation of the advanced technologies in the Requalification Facility.

CONCLUSIONS AND OBSERVATIONS:

Currently the project, which has historically encountered delays, is nearly two months behind schedule. Project delays occurred because NNSA had not ensured that Pantex had adequate staff resources with the pre-requisite skills assigned to complete the project.

Since February 2004, Pantex has struggled to meet the schedule to complete the Requalification Project facility. In April 2004, the project was nearly a year behind schedule. To ensure that the project would be completed in time to meet the needs of its first customer, the Los Alamos refurbishment project, Pantex removed seven work station

tasks from the project schedule. According to Pantex officials, these seven workstations did not support the refurbishment and would not be used in the next several years. As a result of this scope change, the Requalification Facility schedule was recovered; however, by March 2005, the project was approximately two months behind schedule. In yet another attempt to bring the project back to schedule, the Pantex project manager developed a recovery plan that compressed the remaining schedule by overlapping tasks and scheduling overtime labor. Despite this plan, the project schedule was not recovered.

NNSA did not maintain the project schedule because it had not ensured that Pantex had sufficient staff available with the necessary critical skills to complete the project as scheduled. In October 2003, Pantex identified critical skill shortages as a risk to completing the project on time, but did not conduct a staffing study to ensure sufficient personnel would be available. According to the project manager, the facility is behind schedule because of staffing shortages.

In response to staffing shortages, a Pantex manager for the Advanced Design and Production Technologies sub-program identified available tooling personnel in November 2004 at the Idaho National Laboratory who had both the experience and qualifications to meet Pantex's needs. However, Pantex officials eventually decided that the hours could be made up using in-house personnel, even though the site had no extra staffing capacity.

According to NNSA planning documents, the Requalification Facility must be operational by April 2006 to requalify pits for the Los Alamos refurbishment milestones. Delays in completing the Facility may impact the refurbishment schedule.

Therefore, we suggest that the Deputy Administrator for Defense Programs ensure that Pantex determines the level of staffing needed to recover the Requalification Facility project schedule. Further, Pantex should be directed to obtain needed critical personnel to return the project to schedule and ensure its completion by April 2006.

Since no recommendations are being made in this letter report, a formal response is not required. We appreciate the cooperation of your staff during the audit.

George W. Collard

George W. Collard
Assistant Inspector General
for Performance Audits
Office of Inspector General

Attachment

cc: Chief of Staff
Director, Policy and Internal Controls Management, NA-66
Team Leader, Audit Liaison Team, CF-1.2

SCOPE AND METHODOLOGY

The audit was performed between September 2004 and November 2005 at the National Nuclear Security Administration (NNSA) Headquarters and the Pantex Plant. The audit examined project data generated from October 2003 to November 2005.

To accomplish the audit objective, we:

- Analyzed the Requalification Facility Accelerated project schedule;
- Reviewed monthly Requalification Facility project management schedules;
- Analyzed the September 2003 Requalification Facility risk assessment report;
- Reviewed the refurbishment programs integrated project management schedules at Livermore and Los Alamos;
- Interviewed key Headquarters program officials and Pantex personnel;
- Analyzed Pantex employee time records; and,
- Researched applicable Department Orders and other departmental guidance.

The audit was conducted in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the objective of the audit. Accordingly, we assessed the significant internal controls and performance measures established under the Government Performance and Results Act of 1993. We determined that there were annual performance plans at the Pantex site level which were approved by the NNSA Pantex Site Manager.

Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. In performing this audit we relied on computer-based data to accomplish the audit objective. Therefore, we performed limited tests and determined we could rely on the data used to reach our conclusions.