



memorandum

DATE: April 23, 2004

Audit Report Number: OAS-L-04-16

REPLY TO
ATTN OF: IG-35 (A04YT023)

SUBJECT: Audit Report on "Modernization Activities at the Y-12 National Security Complex"

TO: Richard Speidel, Director, Policy and Internal Controls Management, NA-66

INTRODUCTION AND OBJECTIVE

As part of the National Nuclear Security Administration's (NNSA) nuclear weapons complex, the Y-12 National Security Complex (Y-12) performs critical roles in strengthening national security and reducing the global threat from weapons of mass destruction. The Y-12 modernization plan (plan) seeks to foster the development of a physical plant that is efficient and effective in serving its national security missions. The plan was used to develop the Y-12 Ten-Year Comprehensive Site Plan. Line-item projects proposed in each Department of Energy (Department) site's Ten-Year Comprehensive Site Plan are considered for inclusion in the Department's overall Integrated Construction Program Plan (ICPP). The ICPP is a mechanism that allows the Department to anticipate and respond to individual program needs, optimize available resources, and support improved project execution.

The modernization plan for Y-12 focuses on the Security Improvement Project, which includes reduction of the Perimeter Intrusion Detection and Assessment Systems (PIDAS) area. Y-12 has the largest PIDAS in the nuclear weapons complex, encompassing over two miles of security fencing and hardware. A major goal of the plan is to reduce the PIDAS area by 60 percent in order to make Y-12 more secure as well as achieve operational efficiencies.

The purpose of this audit was to determine whether the Department's modernization plan for Y-12 would achieve its intended objectives.

CONCLUSIONS AND OBSERVATIONS

We found that Y-12's plan would likely achieve modernization goals if sufficient funding is provided. Currently, individual projects that contribute to reducing the PIDAS are receiving funding priority in the plan. Specifically, these projects are funded and included in the Department's overall ICPP.

However, the Security Improvement Project, which is the vital project for achieving the ultimate reduction of the PIDAS, is not funded and is not fully included in the Department's ICPP. The

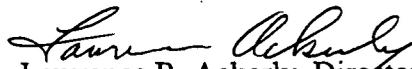
Security Improvement Project is mentioned in the ICPP, but it is not considered a valid part of the ICPP, nor is it supported in the current budget planning process. We noted that if the Security Improvement Project is not added to both the ICPP and the budget planning cycle, it will not be completed in a timely manner since the project will not be funded. Accordingly, if funding is not provided for the Security Improvement Project, although supporting projects would be completed, the expected security and cost benefits will not be realized. Thus, we suggest that the Department reevaluate the Security Improvement Project's position in the ICPP and funding hierarchy.

SCOPE AND METHODOLOGY

The audit was performed from November 2003 to April 2004 at the Y-12 National Security Complex in Oak Ridge, Tennessee. The scope of the audit included the current Y-12 modernization plan prepared by BWXT Y-12 LLC. To accomplish the audit objective, we reviewed planned modernization activities at Y-12 and discussed those activities with Department and contractor personnel. The audit was performed 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 audit objective. 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. Also, since the audit did not disclose a finding with recommendations, we did not conduct a data reliability assessment.

The Government Performance and Results Act (GPRA) of 1993 was enacted to improve Federal program effectiveness and public accountability by promoting a new focus on results-oriented management. Accordingly, the Department developed performance measures to assess the effectiveness of the modernization program at Y-12. We did not identify any instances where the Department was in noncompliance with GPRA.

We coordinated the report with both NNSA Headquarters and Y-12 officials. Since no formal recommendations are being made in this letter report, a formal response is not required. We appreciate the cooperation of your staff throughout the audit.


Lawrence R. Ackerly, Director
National Nuclear Security Administration
Audits Division
Office of Inspector General

cc: Team Leader, Audit Liaison Team, ME-100
Audit Liaison, Y-12 Site Office
Audit Liaison, Oak Ridge Operations Office

memorandum

DATE: April 23, 2004

REPLY TO
ATTN OF: IG-35 (A04YT023)

SUBJECT: Final Report Package for "Modernization Activities at the Y-12 National Security Complex"

TO: Director for Performance Audits and Administration

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 131

Actual Elapsed days: 157

2. Names of OIG audit staff:

Assistant Director: Tara Elmore
Team Leader: Dawnya Hathaway
Auditor-in-Charge: Janice Brashears
Audit Staff: Laura Slatton, Sherri Buchanan

3. Coordination with Investigations and Inspections: The final report was sent to Walt Warren, Investigations and Geoffrey Gray, Inspections on April 19, 2004. Our audit report will not impact any ongoing or planned investigations or inspections.


Lawrence R. Ackerly, Division Director
National Nuclear Security Administration
Audits Division
Office of Inspector General

Attachments:

1. Final Report (2)
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: OAS-L-04-16

1. Title of Audit: "Modernization Activities at the Y-12 National Security Complex"

2. Division: NNSA Audits Division/Y-12 Audits Group

3. Project No.: A04YT023

4. Type of Audit:

Financial: _____ Performance: X
 Financial Statement _____ Economy and Efficiency X
 Financial Related _____ Program Results _____
 Other (specify type): _____

5.

FINDING		COST AVOIDANCE		QUESTIONED COSTS				MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	(D) Recurring Amount PerYear	(E) Questioned	(F) Unsup-ported	(G) Unre-solved	(H) Total (E)+(F)+(G)	(I) C=Concur N=Noncon U=Undec	(J) Y=Yes N=No
	Modernization Activities	\$0	\$0	\$0					
TOTALS--ALL FINDINGS		\$0	\$0	\$0					

6. Remarks:

We found that Y-12's plan would likely achieve modernization goals if sufficient funding is provided. Currently, individual projects that contribute to reducing the PIDAS are receiving funding priority in the plan. Specifically, these projects are funded and included in the Department's overall ICPP. However, the Security Improvement Project, which is the vital project for achieving the ultimate reduction of the PIDAS, is not funded and is not fully included in the Department's ICPP.

7. Contractor: None

8. Contract No.: None

9. Task Order No.: None

10. Approvals:

Division Director & Date: *[Signature]* 4/23/04

Technical Advisor & Date: *[Signature]*

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A04YT023
2. Title of Audit: Modernization Activities at the Y-12 National Security Complex
3. Report No./Date: OAS-L-04-16/April 23, 2004
4. Management Challenge Area: National Security
5. Presidential Mgmt Initiative: N/A
6. Secretary Priority/Initiative: National Security – Defense Programs – Ensuring the Safety and Reliability of the Nuclear Stockpile
7. Program Code: DP
8. Location/Sites: Y-12 National Security Complex
9. Finding Summary: We found that Y-12's plan would likely achieve modernization goals if sufficient funding is provided. Currently, individual projects that contribute to reducing the PIDAS are receiving funding priority in the plan. Specifically, these projects are funded and included in the Department's overall ICPP. However, the Security Improvement Project, which is the vital project for achieving the ultimate reduction of the PIDAS, is not funded and is not fully included in the Department's ICPP. The Security Improvement Project is mentioned in the ICPP, but it is not considered a valid part of the ICPP, nor is it supported in the current budget planning process. We noted that if the Security Improvement Project is not added to both the ICPP and the budget planning cycle, it will not be completed in a timely manner since the project will not be funded. Accordingly, if funding is not provided for the Security Improvement Project, although supporting projects would be completed, the expected security and cost benefits will not be realized. Thus, we suggest that the Department reevaluate the Security Improvement Project's position in the ICPP and funding hierarchy.
10. Keywords:

Y-12 National Security Complex	Integrated Construction Program Plan
Master (Modernization) plan	Ten Year Comprehensive Site Plan
Projects	Oak Ridge
Perimeter Intrusion Detection & Assessment Systems	BWXT Y-12 LLC
NNSA	Security Improvement Project