

10-06-2021

SUBJECT: INDIRECT COST ACCOUNTING ON LINE-ITEM CONSTRUCTION PROJECTS IN THE NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA)

PURPOSE: Optimize indirect cost allocation practices for line-item construction projects performed by NNSA Management and Operating (M&O) contractors.

URGENCY: NNSA's vital mission priorities necessitate the development of capabilities and infrastructure that are expanding the portfolio of line-item construction projects. NNSA must evaluate and adapt cost allocation practices on line-item construction projects with a total project cost (TPC) above \$500 million to ensure effective and efficient execution of critical projects, several of which are currently in the planning phase.

APPLICABILITY: This ACD applies to all NNSA federal elements.¹

BACKGROUND: Currently, NNSA has multiple line-item construction projects over \$500M approaching Critical Decision (CD)-2. These line-item construction projects differ from the M&O's core mission program both in type of work performed and M&O resources consumed. Cost accounting approaches used by M&O contractors when allocating direct and indirect costs to projects may cause, in some cases, excessive cost allocations and result in inflated TPCs. While Public Law² governs standards for proper allocation of indirect costs precluding their total omission from overall project costs, NNSA and M&Os can more effectively determine proper cost allocation for line-item construction projects and prevent ad hoc, disproportionate burdens.

REQUIREMENTS:

- After CD-1, NNSA must create an Integrated Federal Review Team (IFRT) for each site where line-item construction projects with a TPC over \$500M are being executed.
 - The IFRT will be comprised of representatives from the Office of Management and Budget (NA-MB), Office of Acquisition and Project Management (NA-APM), and any applicable Field or Project Office(s).
 - The IFRT will evaluate site cost accounting practices for line-item construction projects with a TPC over \$500M and recommend improvements to current practices, where applicable.

¹ In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 U.S. Code sections 2406 and 2511, and to ensure consistency throughout the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Directive for activities under the Director's cognizance, as deemed appropriate

² Public Law 100-670 (41 U.S.C. 422) requires certain contractors to comply with Cost Accounting Standards (CAS). CAS is codified at 48 Code of Federal Regulations, Chapter 99.

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- NA-MB, in partnership with NA-APM and M&Os, will develop and issue NNSA-wide cost accounting guidance applicable to line-item construction projects with a TPC above \$500M.

For questions or comments concerning this ACD, please contact NA-MB at 202-586-0101.

BY ORDER OF THE ADMINISTRATOR:



Jill Hruby
Administrator