

BUDGET VALIDATION PROCESS



NATIONAL NUCLEAR SECURITY ADMINISTRATION
Office of Financial Management

BUDGET VALIDATION PROCESS

1. **PURPOSE.** To establish formalized procedures within the National Nuclear Security Administration (NNSA) for validation of NNSA budget submissions within the framework of the NNSA's Planning, Programming, Budgeting, and Evaluation (PPBE) process.
2. **CANCELLATIONS.** None.
3. **APPLICABILITY.** The provisions of this Business Operating Procedure (BOP) apply to all NNSA organizational elements.
4. **BACKGROUND.**
 - a. In order to ensure the quality of its budgets, the Department of Energy (DOE) Chief Financial Officer (CFO) requires that 100 percent (a minimum of 20 percent per fiscal year (FY)) of budget requests be validated over a five-year period.
 - b. This Policy Letter documents NNSA's budget validation process for meeting the CFO's validation requirement.
 - c. The Budget Validation activity is a three-phase process: Phase I--Validation of the Need for the Program's Proposed Activities (Program Review), Phase II—Budget Planning and Formulation Validation (Budget Review) and Phase III--Pricing Validation (Pricing Review).
 - d. Budget Validation efforts focus on determining consistency with NNSA strategic planning and program guidance, integration of planned activities/milestones with budget estimates, and reasonableness of budget estimates.
 - e. NNSA issues annual Budget Validation guidance.
 - f. The Budget Validation process has evolved annually over the past five years from the interim process conducted in FY 2005, to the current streamlined process that is a result of lessons learned throughout the NNSA complex and detailed review by two Budget Validation Workgroups.
 - g. Validation of budget data will be accomplished to support NNSA, DOE, and Office of Management and Budget (OMB) decision-making for the upcoming budget year.

5. REQUIREMENTS.

- a. Each Phase will be conducted on every program within a 5-year period. Approximately 20 percent of NNSA programs will be validated each year until 100 percent of program budgets are validated over a five-year time period.
- b. Programs to undergo validations will be determined by a combination of factors, including Program Managers' request, Administrator direction, and/or significant external interest/high program visibility.
- c. The NNSA will credit ongoing evaluations. Examples of ongoing reviews that might count toward the annual requirement include:
 - (1) Independent Project Reviews and External Independent Reviews on Construction Line Items;
 - (2) Facilities and Infrastructure and Recapitalization Program (FIRP) Capability Independent Project Reviews;
 - (3) Overhead Reviews by the Albuquerque Complex;
 - (4) Baseline Cost Reviews of Life Extension Programs;
 - (5) Defense Nuclear Security Reviews;
 - (6) Cyber Security semi-annual Reviews;
 - (7) Pu Sustainment, Annual Project Baseline Reviews, Quarterly Project Execution Reviews, and Total Project Cost; Report;
 - (8) RTBF Semi-Annual Program Reviews;
 - (9) Baseline validations that are performed by the Office of Environmental Management (EM) that indirectly support activities within Weapons Activities;
 - (10) Audits conducted by the DOE Inspector General or the Government Accountability Office, and
 - (11) Independent program assessments conducted by outside groups (e.g. JASON, National Academy of Science).
- d. Phase I is designed to assess conformance with strategic guidance, program plans, and performance data on an organizational basis and will seek insight into budget formulation methods utilized in the development of the budget submission information (including if/how site offices/Management and Operating (M&O) contractors are involved in the development of the budget estimates).
- e. The Phase II Budget Planning and Formulation self-assessment will be conducted by the cognizant Site Office, M&O contractor or program office. The results of the Phase II self-assessment will be validated by a multi-disciplinary Validation Team consisting of members who do not directly support the programs to be validated, and will be led by the cognizant site office or NA-MB-30 (if budget is developed at headquarters).

Phase II validations will be conducted after the President's Budget Request is submitted to Congress. This portion of the validation process will focus on site-specific budget formulation processes, cost estimating practices, and cost savings/avoidance efforts.

Phase III pricing reviews will be conducted by the assigned Validation Review Teams. The pricing review will validate that the cost estimating practices described in the Phase II self-assessment were used in developing estimates for the coming Fiscal Year.

- f. Cognizant program managers will have the opportunity to comment on the results of the validation reviews prior to publishing.
- g. The annual Budget Formulation Validation Plan will provide guidance, programs, subprograms and sites chosen and validation review team report formats.

Examples of prior year budget validation plans, self-assessments VRT Reports and consolidated reports can be found on the PPBE website at <http://hq.na.gov> at the PPBE page on the left side click on "Evaluation".

6. RESPONSIBILITIES.

- a. NNSA Headquarters (HQ) Office of Financial Management, Planning, Programming, Budgeting, and Evaluation Division (NA-MB-30):
 - (1) Issue the annual Budget Validation Plan;
 - (2) Chair the Budget validation kickoff meeting;
 - (3) Lead the development of the process;
 - (4) Document the process in the NNSA Policy Letter/Business and Operating Policy (BOP) on Budget Validation;
 - (5) Maintain a 5-year schedule for pricing validations;
 - (6) Request data for the Phase I Validation of the Need for the Program's Proposed Activities (Program Review);
 - (7) Participate on review teams and provide budget expertise throughout Phases I, II and III;
 - (8) Lead the Budget Planning and Formulation Review and the Pricing Review if budget requests are based on HQ input; and
 - (9) Provide a summary of findings from Phase I and a consolidated report from Phases II and III.
- b. NNSA Office of Field Financial Management Division (OFFM);
 - (1) Assist program offices in the development of responses to Phase II;


- (2) Assist with the budget planning and formulation Phase II and Phase III (pricing) validation reviews.
- c. NNSA HQ Program Offices:
- (1) Provide input for Phase I for selected programs;
 - (2) Participate in Phase II budget planning and formulation validation reviews and Phase III pricing reviews for programs other than those programs it supports and Phase III pricing reviews;
 - (2) Conduct a Phase II budget planning and formulation self-assessment and submit a Phase II self assessment to the Validation Review Team;
 - (3) Provide the Validation Review Team with requested budget documentation and pricing information (if budget requests are developed by the Headquarters Program Office);
 - (4) Review and comment on the draft budget validation reports, and
 - (5) Respond to validation findings and recommendations.
- d. NNSA Site Office (Federal Personnel):
- (1) Lead the Budget Planning and Formulation Review and the Pricing Review if budget requests are based on site input for programs not directly supported by the Site being validated;
 - (2) Coordinate with the M&O contractor as requested.
 - (3) Prepare a combined Phase II Budget Planning and Formulation Report and a Phase III Pricing Report, if required, and submit to NA-MB-30 with a copy to the budget validation coordinator.
- e. Site Program Contractor (M&O) (if applicable):
- (1) Conduct a Phase II Budget Planning and Formulation self-assessment and submit report to the Validation Team and
 - (2) Provide the Validation Review Team with requested budget/pricing information and documentation.
- f. Office of Chief Financial Officer:
- (1) Provide technical budget and financial expertise as needed.

7. REFERENCES.

- a. DOE O 130.1, Budget Formulation
- b. OMB Circular A-123 Management's Responsibility for Internal Control

National Nuclear Security Administration: Additional Actions Needed to Improve Management of the Nation's Nuclear Programs, GAO-07-36, January 19, 2007.

8. CONTACT. NNSA, Office of Financial Management, NA- MB-30, 202-586-1087.


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Attachment 1: NNSA Programs Subject to Validation
Attachment 2: Budget Formulation Validation Timeline

ATTACHMENT 1

NNSA Programs Subject to Validation

- A. All NNSA Programs that are requesting funding in the upcoming budget.
1. Office of the Administrator
 2. Weapons Activities
 - a. Directed Stockpile Work
 - b. Science Campaign
 - c. Engineering Campaign
 - d. Inertial Confinement Fusion Ignition and High Yield Campaign
 - e. Advanced Simulation and Computing Campaign
 - f. Pit Manufacturing and Certification Campaign
 - g. Readiness Campaign
 - h. Readiness in Technical Base and Facilities
 - i. Secure Transportation Asset
 - j. Nuclear Counterterrorism Incident Response
 - k. Facilities and Infrastructure Recapitalization
 - l. Environmental Projects and Operations
 - m. Defense Nuclear Security
 - n. Cyber Security
 - o. National Security Applications
 3. Defense Nuclear Nonproliferation
 - a. Nonproliferation and Verification Research and Development
 - b. Nonproliferation and International Security
 - c. International Nuclear Materials Protection and Cooperation
 - d. Fissile Materials Disposition
 - e. Global Threat Reduction Initiative
 4. Naval Reactors
 - a. Operations and Maintenance
 - b. Program Direction
 - c. Construction

ATTACHMENT 2

Budget Formulation Validation Timeline

Phase I – Validation of the Need for the Program’s Proposed Activities (Program Review)

Note: This schedule is not typical, and because of the volatile history of the budgeting/execution process this timeline can change.

April/May	Programming Reviews
June	Draft Budget Formulation Phase I, Phase II, and Phase III Validation Data Call Submitted to Program Offices and Site Offices
June	Answers to Phase I Questionnaire to be submitted by Program Offices

Phase II – Budget Formulation Validation Self-assessment Questionnaire and Budget Planning and Formulation Validation of Selected Programs (Budget Review).

July	Phase II Budget Planning and Formulation self-assessment (conducted by M&O contractors or if applicable cognizant Program Offices)
July	Validation Review Teams (VRTs) conduct Budget Validations (Phase II) on scheduled programs
Late July/Aug	Preliminary Findings to Programs for Review
Aug	Info available to consider for current OMB Budget Request
September	Final Report Issued

Phase III – Pricing Validation of Selected Programs (Pricing Review)

July	Phase III Pricing Review (conducted by Validation Review sub-Team at M&O contractor or Program Office)
Aug	Info available to consider for current OMB Budget Request
September	Final Report Issue