



NNSA Policy Letter: BOP-003-0601

Date: April 28, 2006

TITLE: NNSA Contractor Human Resources (CHR) Policy Guidance

I. OBJECTIVE:

This document provides business and operating guidance relative to oversight and administration of M&O contractor human resources (CHR) activities. Consistent with the NNSA Functional Matrix, HQ NNSA through the Senior Procurement Executive, issues guidance to facilitate consistent CHR administration and oversight by NNSA Site Offices and for the effective/efficient support of CHR activities by the NNSA Service Center. This policy supplements other DOE policy related to CHR. The CHR areas covered by this policy may include, but are not limited to the following:

1. Labor Relations
2. Labor Standards
3. Reductions in Contractor Employment
4. Compensation
5. Employee Benefit
6. Pensions
7. Critical Skills

II. APPLICABILITY:

This policy is applicable to all NNSA organizations that administer, oversee or support the oversight of NNSA M&O contracts with exception of Naval Reactors.

III. REQUIREMENTS:

- a. The NNSA Senior Procurement Executive works with NNSA field organizations to facilitate consistent oversight and administration of M&O contractor human resources activities.
- b. NNSA Site Offices and the Service Center implement the guidance contained herein to establish and administer M&O contracts.

- c. NNSA Site Offices shall submit requests for deviation from this policy to NA-63 through the point of contact identified in paragraph VII below, from the Service Center Contractor Human Resources Division.

IV. RESPONSIBILITIES:

- a. The NNSA Office of Acquisition and Supply Management (NA-63):
 - i. Develops and establishes contractor human resources policy, as necessary, for NNSA M&O Contracts.
 - ii. Facilitates conduct of consistent contractor human resources oversight by NNSA Site Offices.
 - iii. Facilitates provision by the NNSA SC of effective and efficient support to the NNSA Site Office for oversight of contractor human resources activities.
 - iv. Coordinates with Site Offices on contractor human resources program actions that require HQ NNSA approval or the waiver of policy requirements, as appropriate.
 - v. Utilizes the Service Center CHR staff for development of NNSA CHR policy as appropriate.
- b. NNSA Administrative Contracting Officer:
 - i. Ensures the effective and efficient oversight and administration of M&O contractor human resources activities.
 - ii. Reviews and approves contractor human resource actions as designated in the M&O contract. Refers for NA-63 decision any precedent-setting or other CHR actions designated herein.
 - iii. Obtains support for contractor human resources actions from the NNSA Service Center Contractor Human Resources Division staff, as indicated in the NNSA Functional Matrix.
- c. Office of Business Services, NNSA Service Center:
 - i. Coordinates with NNSA HQ (NA-63) and the NNSA Site Offices in providing CHR staff support. Ensures that contractor human resources actions requiring NNSA SC support are processed in an effective and efficient manner.

- ii. Through the CHRD staff, provides effective, professional, technical advice and assistance to NNSA HQ and NNSA Site Offices in support of policy, oversight and administration for NNSA M&O contractor human resources activities.
- iii. Through the CHRD Staff, coordinates significant and/or precedent-setting actions with NNSA HQ and Site Offices prior to recommending a specific course of action.

V. **CONTRACTOR REQUIREMENTS DOCUMENT:** Reserved

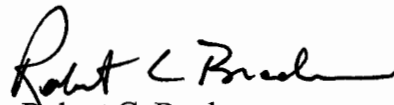
VI. **REFERENCES:**

For NNSA M&O contracts, this policy supplements pertinent portions of the FAR, DEAR, DOE Order 350.1, DOE Acquisition Letters and other regulations/guidance as specified in the attached Exhibits.

VII. **POINT OF CONTACT FOR ADMINISTRATION POLICY LETTER:**

Frank Sanchez, Contractor HR Division, NNSA Service Center,
(505) 845-4788

BY ORDER OF THE ADMINISTRATOR:



Robert C. Braden
NNSA Senior Procurement Executive

Attachments:

Exhibits

- 1. Compensation Policy
- 2. Flow Chart – Individual Salary Approvals

1. Contractor Executive Salaries and Other Cash Compensation

Exhibit 1

1. Policy:

For selected contractor executive employees as designated in M&O contracts, NNSA approves initial salaries and other designated elements of compensation and subsequent changes to salary. Only the salary and other compensation amounts approved by the NNSA Contracting Officer for the selected employees shall be reimbursed under the M&O contracts.

2. Background:

DOE has historically maintained approval authority over the salaries of selected M&O contractor executive employees. The authorizing language for such approval has been contained in DEAR Subpart 970. DOE Order 350.1 also recognizes approval by DOE of individual compensation for certain contractor employees. The Personnel Appendices of the M&O contracts include specific requirements regarding approval of individual employee salaries. During fiscal years 1997, 1998 and 1999, Congress enacted government-wide caps on allowable compensation cost for contractor senior executives. These caps were continued in Section 39 of the Office of Federal Procurement Policy Act (41 U.S.C. 435) and are updated and published annually by the Office of Federal Procurement Policy. DOE Acquisition Letter 2000-12 and subsequent revisions provided the executive salary caps for DOE contracts and provided additional guidelines under which Heads of Contracting Activities within DOE could approve salaries of contractor executive employees. HQ NNSA implemented revised procedures consistent with the salary caps and Acquisition Letter 2000-12 for approval of contractor senior executive compensation actions on September 9, 2003. The policy contained herein consolidates all of the above policies for NNSA contracts and continues their intent.

3. Requirements:

- a. NNSA Contracting Officers will include provisions in M&O contract solicitations regarding NNSA approval for compensation of selected contractor management level employees.
- b. NNSA Source Evaluation Boards will designate the initial list of contractor employees for whom Contracting Officer approval of salary will be required. NNSA approval will be required for the initial salary and subsequent changes thereto for the top M&O contractor executive. Salary

approval for other contractor officials will be limited to those employees who report directly to the top executive or those who are listed among the "key personnel" for that contract.

- c. Approval of Salary for Contractor Executives: NNSA Site Office Managers are delegated authority to approve the salaries for contractor management officials other than the top manager subject to the following limits:
- i. Salary actions due to recruitment or promotion are limited to the lesser of a maximum of 10 percent above the candidate's current salary, or a maximum of 6 percent above the prior incumbent's reimbursed salary (to include incumbents who worked for the previous contractor).
 - ii. Salary increases which are neither recruitment nor promotion actions, shall not exceed 6 percent per twelve month period corresponding to the contractor's anniversary standards or practices.
 - iii. Site Office Managers shall refer recommended salary actions for M&O contractor executives that exceed the limits in items (1) and (2) above to the NNSA Senior Procurement Executive for a decision and will provide a copy to the Service Center CHR staff.
 - iv. Site Office Managers shall notify the Service Center CHR staff and the NNSA Senior Procurement Executive in NA-63 of the expected salary approval for the top M&O contractor executive 48 hours prior to approving the salary.
- d. Additional requirements for NNSA approval of all M&O contractor executive salaries include the following:
- i. A salary increase shall not exceed industry benchmarks.
 - ii. Except for promotions and "acting" situations, only one salary increase per individual is permitted during any twelve month period corresponding to the contractor's anniversary standards or practices
 - iii. A salary increase shall be within the contractor's salary range for the position and in accordance with the contractor's salary increase distribution program
 - iv. In addition to the above requirements, reimbursement of compensation in NNSA M&O contracts shall adhere to the compensation caps for contractor executives as specified in FAR 31.205-6(p) and shall consider market average pay for similar

work, pay of others performing comparable work for the contractor, and the individual's experience in performing the work.

4. Responsibilities:

- a. The NNSA Service Center Contractor Human Resources (CHR) staff will advise the NNSA Senior Procurement Executive regarding this policy and other matter related to contractor compensation.
- b. The NNSA Service Center CHR staff will maintain a list of current approvals for all individual salaries subject to approval under NNSA M&O contracts.
- c. Upon request, the NNSA Service Center CHR staff will advise and assist the Site Office Managers in approving executive salaries and will provide assistance in developing recommendations for those actions that would exceed the limits in item 3c above to the NNSA Senior Procurement Executive, in NA-63, for approval.

5. Approval Authority:

The NNSA Senior Procurement Executive will approve this policy and direct revision as necessary.

References:

1. DOE Order 350.1
2. DEAR 970.3102-5-6
3. FAR 31.205-6(p)

Point of Contact (POC): Frank P. Sanchez, Sr. IR Specialist, (505) 845-4788,
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NNSA CHR Process

Friday, April 21, 2006

Individual Salary Approvals for NNSA M&O Contractor Employees

