



January 29, 2009

Mr. Robert M. Gifford
Chief Financial Officer
Y-12 National Security Complex
P. O. Box 2009
Mail Stop 8015
Oak Ridge, TN 37831-8015

Dear Mr. Gifford:

**FY 2008 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT (SCFAR) –
Y-12 NATIONAL SECURITY COMPLEX**

The SCFAR Peer Review Team has reviewed the FY 2008 Support Cost by Functional Activity Report of the Y-12 National Security Complex. The purpose of the review was to confirm that the data reported by Y-12 complied with the guidelines and definitions issued by the United States Department of Energy (DOE) and to fulfill a DOE-HQ requirement to have all of the reporting sites independently reviewed on a periodic basis.

The Y-12 National Security Complex FY 2008 Support Cost by Functional Activity Report process includes a review of every cost collection account within the accounting system. This data is organized by cost element, Organizational Breakdown Structure and Work Breakdown Structure to facilitate identification and categorization of costs. The Site reviews the cost detail and assigns the appropriate functional cost category.

Recommendations from the last SCFAR Peer Review (01/26/2006) for FY 2005 have been verified as implemented.

Items identified during the FY 2009 Peer Review are as follows:

1. WBS Element VP620035 General Accounting – Relocation (\$5K) was reported under Chief Financial Officer.
Team Recommendation: Move to Human Resources.

Site Response: We concur.
2. WBS Element VP900006 External & Governmental Relations (\$25K) was reported under Executive Direction.
Team Recommendation: Move to Information/Outreach Activities.

Site Response: We concur.

3. WBS Element VP641000 Socioeconomic Activities (\$162K) were reported under Executive Direction.
Team Recommendation: Move to Information/Outreach Activities.

Site Response: We concur.

4. WBS Element VP120203 Communications Planning (\$4K) was reported under Executive Direction.
Team Recommendation: Move to Information/Outreach Activities.

Site Response: We concur.

5. WBS Element VK204000 Convenience Copiers (\$11K) was reported under Information Services.
Team Recommendation: Move to Central Administrative Services.

Site Response: We concur.

6. WBS Element VP902207 9114 Upgrades (\$13K) was reported under Information/Outreach Activities.
Team Recommendation: Facilities Management.

Site Response: We concur.

7. WBS Element VP98PRTS Materials for Critical PC Repairs (\$43K) was reported in Information Services.
Team Recommendation: Move to Maintenance.

Site Response: We concur.

Observations

WBS elements PNGW001A and PNGW001B, Liquid Waste Subcontract and Solid Waste Subcontract, respectively, have been categorized as Mission Direct which is consistent with how they were treated at K-25 when they were EM funded. This is not consistent with DOE's FY2008 Support Cost by Functional Activity Definitions which suggest that these costs should be categorized as Mission Support / Environmental now that they are DP funded. The site has elected not to change how these costs are categorized because the scope and nature of the work at Y-12 is exactly the same as it was at K-25, and because functional cost categorization is supposed to be funding neutral. The Team appreciates this rationale, and the fact that DOE's FY2008 Support Cost by Functional Activity Definitions does not appear to adequately address the circumstances, and has therefore elected not to recommend a change.

The above observation serves to remind us of the FY2008 Annual SCFAR Kick-off Meeting which included a lengthy discussion of the need to better define the guidance relative to the Mission Support / Environmental cost categorization. At that time there was general consensus among the team members that this guidance should be simplified so that it is less confusing.

Accuracy Assessment

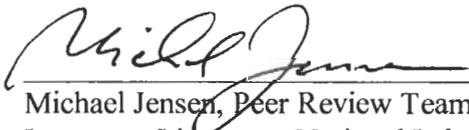
The Peer Review Team has concluded that Y-12 National Security Complex has met the intent of the SCFAR guidelines and definitions and has achieved a level of accuracy at or above 90%.

We would like to thank Mr. William Hudson for his hospitality, help and support.



Ann Nestander, Peer Review Team Lead
Fermilab, FNL

1/29/09
Date



Michael Jensen, Peer Review Team Member
Lawrence Livermore National Laboratory, LLNL

1-29-09
Date



Mr. Robert M Gifford, Chief Financial Officer
Y-12 National Security Complex, B&W Y-12

1/29/09
Date

Cc: O. Barwell, DOE-HQ
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B. Morishita, FMSIC Executive Director
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