



**The Deputy Secretary of Energy**  
Washington, DC 20585

November 8, 2010

Mr. Gene Dodaro  
Acting Comptroller General  
Government Accountability Office  
441 G Street, NW  
Room 7100  
Washington, D.C. 20548

Dear Mr. Dodaro:

As a follow-up to our discussion about the Department of Energy's efforts to improve contract and project management, enclosed is a list of issues that the Government Accountability Office (GAO) has raised about our performance, along with actions the Department has taken to address these concerns. We have also included specific actions that the Office of Environmental Management and the National Nuclear Security Administration have taken.

Secretary Chu and I will continue to focus on contract and project management as a cornerstone of our commitment to management excellence. We are grateful for the continuing efforts by GAO over the years to identify areas requiring improvement, and for your guidance regarding corrective actions. To that end, we have taken a number of steps, including the following:

- Implemented new principle-driven policies to remedy long-standing deficiencies.
- Appointed new, more experienced leadership at the Department's most critical projects.
- Strengthened accountability with an unprecedented level of senior leadership involvement, including 24 Deputy Secretary "deep dives" on major projects and programs since April 2, 2010.
- Taken vigorous action to improve project management for the Waste Treatment Plant at Hanford by –
  - Engaging the contractor at the highest level to assure strong performance and corporate reachback;
  - Holding managers accountable through weekly status meetings on project performance;
  - Recruiting a Federal Project Director with a strong record of success; and



- Deploying teams of project and technical experts from outside of the project to provide unvarnished appraisals of project performance and recommendations for improvement.

These actions have generated dramatic, measurable results. Ninety-five percent of the 46 projects that we have launched in the last two years are on track to be successfully completed (i.e. within 10 percent of the original cost baseline).

Earlier this month, our success was recognized by the Project Management Institute, which bestowed its prestigious Project of the Year Award on the Department's National Ignition Facility project. In recognizing this accomplishment, PMI cited the "project team for superior performance, exemplary project management execution, and innovation in the use of project technology...." The Secretary and I applaud the achievement of the project team and are honored that the Project Management Institute chose it to receive this award among so many worthy nominees from both the public and private sectors.

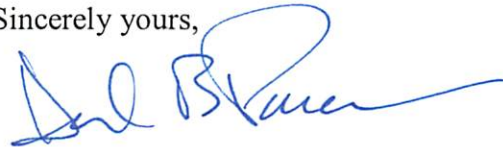
Regarding DOE contract management, as you know, last year Honeywell Federal Manufacturing Technologies, LLC, won the Malcolm Baldrige Quality Award for manufacturing in recognition of its work as the Management and Operating contractor for NNSA's Kansas City Plant.

These awards demonstrate how much progress the Department has made in promoting a culture of contract and project management excellence.

Just a few years ago, GAO reported that too few of the Department's projects were successfully delivered. The results the Department has achieved show that we now have the people, the processes, and the policies in place to complete projects successfully, and support our request to be removed from GAO's high-risk list. Of course we are prepared at any time to engage with you and your colleagues on these issues of such importance to both of us.

I look forward to continuing to partner with you and your GAO colleagues to help the Department build upon its efforts to date and to remain sharply focused on management excellence in serving the American taxpayer. In the words of our management principles, "we will only succeed through teamwork and continuous improvement."

Sincerely yours,



Daniel B. Poneman

Enclosure

# **DEPARTMENT OF ENERGY'S PROPOSED REMOVAL FROM GAO'S HIGH-RISK LIST FOR CONTRACT AND PROJECT MANAGEMENT November 2010**

In its 2009 High-Risk List, the Government Accountability Office (GAO) found that the Department of Energy (DOE) needs to take the following actions to strengthen its contract and project management:

- Improve performance on major projects, especially for those managed by the National Nuclear Security Administration and the Office of Environmental Management.
- Ensure that it has the needed people and resources in place to solve problems.
- Ensure that actions to address root causes of contract and project management weaknesses are independently validated for their effectiveness and sustainability.

In a July 6, 2010 letter, Gene Dodaro, Acting Comptroller General, added these additional concerns that DOE must address to be removed from the High-Risk List:

- Strengthen cost estimating policies and procedures, have adequate federal staff to gauge the quality of contractor cost estimates, and independently validate these estimates.
- Sustain leadership commitment and successfully implement the DOE corrective action plan for improving contract and project management.
- Implement corrective actions resulting from GAO reports of NNSA's Tritium Readiness Program and the Readiness in Technical Base and Facilities Program, and EM's Savannah River Site Tank Waste Program.

Since the implementation of the Department's Root Cause Analysis Corrective Action Plan in July 2008, and as new issues have surfaced, EM and NNSA have taken the following actions to address GAO noted deficiencies:

## **1) GAO ISSUE: Whether DOE has demonstrated improved performance on major projects, especially for those managed by NNSA and EM?**

### **DOE CORPORATE RESULTS/ACTIONS:**

- Achieved a 100% success rate (i.e., completed within 10 percent of the original cost baseline) for projects initiated within the past two years and completed in FY 2010, including four construction and three clean-up projects.
- Effectively managed the 46 projects launched in the past 2 years so that 95% are on track to meet our success definition.
- Certified that 97% of DOE projects use Earned Value Management Systems that comply with the industry standard, ANSI/EIA-748B, to track performance.
- Conducted 24 Deputy Secretary-led deep dives on EM and NNSA capital asset projects and contracts.
- Strengthened independent project reviews by expanding the use of the Office of Science project peer review process within NNSA and EM.

**EM-SPECIFIC RESULTS/ACTIONS:**

- Achieved a 100% success rate (i.e., completed within 10 percent of the original cost baseline) for clean-up projects initiated within the two years and completed in FY 2010.
- Certified that 86% of DOE clean-up projects use Earned Value Management Systems that comply with the industry standard, ANSI/EIA-748B, to track performance.
- Conducted independent project peer reviews (Construction Project Reviews) for:
  - Salt Waste Processing Facility project at the Savannah River Site
  - Waste Treatment Plant (WTP) project at Hanford, WA
  - Sodium Bearing Waste project at Idaho
  - K-25 Uranium Enrichment Plant Decontamination and Decommissioning (D&D) project at Oak Ridge, TN
  - U-233 Material Downblending and Disposition project at Oak Ridge, TN

**NNSA-SPECIFIC RESULTS/ACTIONS:**

- Verified that 100% of NNSA Capital Construction projects are using a certified Earned Value Management System.
  - By mid-2011, complete surveillance of all Certified Earned Value Management Systems across the NNSA Complex
- Verified the internal, contractor surveillance program of all Certified Earned Value Management Systems.
- Conducted independent project peer reviews for:
  - Chemistry and Metallurgy Research Replacement (CMRR) project at Los Alamos
  - Uranium Processing Facility (UPF) at Y-12
  - Pit Disassembly and Conversion Facility (PDCF) Savannah River Site

**2) GAO ISSUE: Whether DOE has the capacity (people and resources) to resolve problems?****DOE CORPORATE ACTIONS:**

- Issued memorandum from the Deputy Secretary to laboratory directors and NNSA plant managers seeking the benefit of their expertise in support of EM projects.
- Hired (or contracted for) additional contract and project management professionals with the skills to successfully manage our contracts and project portfolio.
- Developed a departmental staffing model to determine appropriate staffing levels and issued an accompanying guide.
- Implemented a protocol to evaluate staffing levels during independent project reviews.

**EM-SPECIFIC ACTIONS:**

- Conducted independent studies of staffing needs and developed a remediation plan, especially focused on capital asset projects.
- Hired over 100 additional contract and project management professionals since FY 08.
- Established partnership with US Army Corps of Engineers (USACE) in 2007 to provide more than 90 full-time equivalent (FTE) staff annually.
- Continued the existing contract and awarded two new support contracts with the USACE to augment project management, project control, and quality assurance staff.

- Developed an agreement with the Seaborg Group for an EM Technical Expert Group to provide expeditious access to high caliber technical expertise for design reviews and technical analysis.
- Certified 87 percent of EM contract specialists through DOE's Acquisition Career Management program.
- 94% of EM Cleanup projects are managed by a Federal Project Director certified at the appropriate level of the Project Management Career Development Program.
- Created a Tank Waste Subcommittee under EM's Energy Management Advisory Board to assure enhanced science and technology expertise is brought to bear on EM tank waste projects.

#### **NNSA-SPECIFIC ACTIONS:**

- Developed NNSA staffing algorithm based upon OECM model.
- Conducted review of 5 largest NNSA projects to determine staffing requirements.
  - Based upon the initial results, NNSA included an additional nine (9) projects in the staffing analysis.
- Submitted request for FY2012 funding sufficient to support project needs.
- Required use of algorithm at each Critical Decision-1 determination.
- Developed an NNSA Business Operating Procedure for ensuring appropriate staffing which is currently under internal review and will be in effect by the second quarter of FY 2011.

### **3) GAO ISSUE: Whether DOE monitors and independently validates the effectiveness and sustainability of corrective measures?**

#### **DOE CORPORATE ACTIONS:**

- Developed "Program Management Scorecard" to monitor DOE O 413.3B compliance.
- Accelerated deployment of the new Project Assessment and Reporting System (PARS II) by six months – September 2010 vice April 2011 – providing consistent, reliable, auditable data directly from DOE contractors' EVM systems to all levels of management.

#### **EM-SPECIFIC ACTIONS:**

- Established an Independent Quality Assurance Program to verify that corrective actions resulting from studies of EM project management remain as continuing elements of EM program execution, with a focus on ensuring that processes and procedures are effective and being followed.
- Increased the frequency of EM senior management-led contract and project management performance reviews with program/project staff and contractors from quarterly to monthly. OMB and GAO are invited to participate in these reviews.
- Developed an Executive Dashboard for EM projects to track commitments resulting from "deep dives" held by the Deputy Secretary as well as project/program performance.

#### **NNSA-SPECIFIC ACTIONS:**

- Instituted monthly project performance briefings with the NNSA Administrator.

- Established an internal NNSA monthly project assessment process to identify any at-risk projects and resolve issues.
- Established annual peer reviews for all projects and special reviews for at-risk projects which includes specific direction to evaluate corrective actions from previous project reviews.
- Conducted independent reviews of CMRR, PDCF and UPF.

**GAO ISSUE: Whether DOE has adequate cost estimating policies and procedures, has federal staff to gauge the quality of contractor cost estimates, and independently validates these estimates?**

#### **DOE CORPORATE ACTIONS:**

- Incorporated GAO's 12-step cost estimating process into Department's External Independent Review (EIR) process to ensure credible cost estimates.
- Requiring an Independent Cost Review (ICR) at CD-0, an Independent Cost Estimate (ICE) and/or ICR at CD-1, and an ICE at CD-2 for projects over \$400 million.
- Developing a companion cost estimating guide for DOE Order 413.3B, incorporating best practices from GAO's Cost Estimating and Assessment Guide as well as procedures to conduct cost reviews and develop cost estimates. Will be completed by third quarter of FY 2011.
- Conducted extensive training for 72 Federal project management professionals on cost estimating techniques. An Advanced Cost Analyst course and an online version of the basic course are under development and will be available by the end of CY 2011.
- Certified three Cost Engineers with accreditation from the Association for the Advancement of Cost Engineering (AACE) International with more in the pipeline. Each applicant must have eight years of professional experience, obtained a college degree related to engineering, construction management, etc., submitted a professional paper, and passed a 7-hour exam.

#### **EM-SPECIFIC ACTIONS:**

- Established a cost-estimating Center of Excellence at the EM Consolidated Business Center to improve the quality of independent government estimates for construction and cleanup projects.
- Continued to develop the Environmental Cost Analysis System (ECAS) to consolidate data from completed projects in a database to promote improved cost estimating.
- Utilizing FAR Part 15 contracts that require offerers to develop cost proposals.

#### **NNSA-SPECIFIC ACTIONS:**

- Hired experienced cost estimator to oversee NNSA cost estimating activities.
- Issued NNSA Cost Estimating Business Operating Policy setting forth requirements for conducting cost estimates and published a companion best practices guide.
- Conducted an Independent Cost Review on RadLiquid Waste project. An Independent Cost Estimate is under development for PDCF. Schedule and cost reviews were performed on CMRR and UPF to support the Department's FY2012-2016 budget request.



**4) GAO ISSUE: Whether DOE has sustained leadership commitment and is successfully implementing the corrective action plan for improving contract and project management?**

**DOE CORPORATE ACTIONS:**

- Secretary Chu and Deputy Secretary Poneman have demonstrated their sustained leadership commitment by:
  - Endorsing the 2008 Root Cause Analysis Corrective Action Plan (RCA/CAP) as the DOE roadmap for improving contract and project management.
  - Issuing new principle-driven policies to remedy long-standing deficiencies.
  - Conducting 24 Deputy Secretary deep dives on major projects and programs.
  - Taken vigorous action to improve project management for the WTP project by engaging the contractor at the highest level to assure strong performance and corporate reachback, holding managers accountable through daily status meetings, and deploying teams of project and technical experts from outside of the project to provide unvarnished appraisals of project performance and recommendations for improvement.
  - Recruiting project directors with a strong record of success.
- Completed most RCA/CAP actions and developing a close-out report. Providing GAO draft for comment in November 2010.
- Planned Contract and Project Management Summit scheduled for December 2010 to identify continuing challenges and develop corrective strategies.

**EM-SPECIFIC ACTIONS:**

- Assistant Secretary Triay and then Under Secretary Johnson demonstrated senior leadership commitment by launching a comprehensive contract and project management reform effort within EM, including:
  - Establishing units within EM that are led by senior executives to oversee project and contract management;
  - Improving reporting structures to increase senior level oversight of projects/contract performance;
  - Aggressively implementing best practices (e.g., peer reviews and reducing project size); and
  - Personally overseeing the performance of high-risk projects.

**NNSA-SPECIFIC ACTIONS:**

- Under Secretary D'Agostino has demonstrated commitment to successful contract and project management by:
  - Recruiting new, experienced leadership to oversee project management.
  - Strengthening accountability by leading monthly project reviews.
  - Personally overseeing the performance of high-risk projects.
  - Signed and Issued the NNSA Cost Estimating Guide 50.005 in February 2010.
  - Endorsed NNSA Staffing Model and Budget Request for additional resources.
  - Established Source Evaluation Board for Construction Management Contract.
  - Convened panel of independent experts to review transformative acquisition strategies.

Items #6 through #15 are corrective actions flowing from the 2008 DOE Root Cause Analysis. DOE has successfully implemented these corrective actions as demonstrated below.

**5) CORRECTIVE ACTION FOR RCA ISSUE #1 – Improve Front-End Project Planning.**

**DOE CORPORATE HIGHLIGHTS:**

- Implemented policy requiring that adequate front-end project planning is completed and designs are sufficiently mature before establishing a project performance baseline.
- Used industry standard practices, including the Technology Readiness Level Assessment and Project Definition Rating Index (PDRI) tools, to determine whether a project is ready for baselining.
- Divided large programs/projects into smaller, stand-alone projects, as appropriate.

**EM-SPECIFIC ACTIONS:**

- Used PDRI to evaluate all Recovery Act projects prior to baselining.
- Conducted Technology Readiness Assessments to ensure timely resolution of engineering and technology issues early in the project's development.
- Developed a Corporate Work Breakdown Structure (CWBS) to standardize collection of data across EM, assist in analyzing performance data, develop cost estimates, and simplify budget preparation.
- Required capital asset projects to complete 70-90% design prior to baseline approval.

**NNSA-SPECIFIC ACTIONS:**

- Developed and issued NNSA PDRI tool, including use of Technology Readiness & Maturation assessments.
- Used these tools during Independent Project Reviews to assess readiness/maturity of project planning activities.
- Conducted Technical Safety Reviews to determine whether safety documentation is sufficiently conservative and bounding and that necessary requirements are incorporated into the preliminary design prior to beginning the final design.
- Required hazard category 1, 2, and 3 nuclear facilities to complete 90% design prior to baseline approval.

**6) CORRECTIVE ACTION FOR RCA ISSUE #2 – Enhance Federal Contract and Project Management Workforce.**

Addressed in Issue #2 above.

**7) CORRECTIVE ACTION FOR RCA ISSUE #3 – Improve Project Risk Assessment, Communication, and Management.**

**DOE CORPORATE HIGHLIGHTS:**

- Adjusted risk management procedures and training to ensure risks associated with projects are objectively identified, assessed, communicated and managed through all phases of planning and execution.
- Posted risk management tools on project management website.



- Developed contingency and management reserve protocol.
- Revising Risk Management Guide to incorporate new tools and clarify determination and use of contingency and management reserve, which will be completed by second quarter of FY2011.
- Revamped risk management training courses to provide additional tools and explain how to manage contingency and management reserve.

#### **EM-SPECIFIC ACTIONS:**

- Implemented policy on the proper application of contingency and management reserve and requiring Federal Risk Management Plans (RMPs).
- Required that Federal RMPs be a component of all EM projects. All ARRA projects received a HQ review of the RMP prior to funding.
- MR and Contingency use is presented in the updated Monthly Report formats for HQ review.

#### **NNSA-SPECIFIC ACTIONS:**

- Conducted risk management training for NNSA project managers.
- Developed and issued a Value Engineering policy.
- Addressed project risks during monthly project reviews.

### **8) CORRECTIVE ACTION FOR RCA ISSUE #4 – Align and Integrate Budget Profiles and Project Cost Baselines.**

#### **DOE CORPORATE HIGHLIGHTS:**

- Required that funding profiles be approved at CD-2 and that acquisition executives approve any changes to the profile.
- Required that construction projects be fully funded, if less than \$50M.
- Required that programs ensure affordability and adhere to baseline funding profiles for incrementally funded projects in annual budget requests.

#### **EM-SPECIFIC ACTIONS:**

- Restructured projects into smaller, better defined capital asset projects and non-capital operations activities to provide more focused management and oversight.
- Used Analytical Building Blocks (ABBs) to facilitate planning and the integrated priority list (IPL) to align budget and project management functions.
- Implemented policy requiring that performance baselines for capital asset projects are established with a minimum 80% confidence level and that contingency is budgeted for in the baseline.

#### **NNSA-SPECIFIC ACTIONS:**

- Issued full funding policy for projects <\$50M.
- Issued requirement prohibiting the establishment of project baselines without a realistic funding profile.

**9) CORRECTIVE ACTION FOR RCA ISSUE #5: Improve Independent Government Cost Estimates.**

Addressed under Issue #4 above.

**10) CORRECTIVE ACTION FOR RCA ISSUE #6: Improve Acquisition Strategies and Plans.**

**DOE CORPORATE HIGHLIGHTS:**

- Strengthened commitment to federal ownership by aligning and integrating acquisition strategies and plans with project plans.
- Developing a Change Control Guide, which will be completed by the third quarter of FY 2011, to ensure project and contract changes are integrated and completed in a timely manner.
- Aligned procurement policy and guidance with newly revised project management guidance. Issued Acquisition Policy Flashes and revised portions of DOE's Acquisition Guide.

**EM-SPECIFIC ACCOMPLISHMENTS:**

- Expanded the use of FAR Part 15 (non-M&O) contracts for its capital asset projects and other non-capital work and awarded smaller, more-focused contracts (e.g., work previously performed by three prime contractors at EM's Hanford and Savannah River sites is now performed by 5 prime contractors).
- Established Procurement Strategy Panel with senior level representation from EM, MA, GC, OECM, and OSDBU to discuss procurement strategy with the Integrated Project Team early in the planning process to address issues that could result in future delays.
- Established the Environmental Management Acquisition Center (EMAC) to standardize the acquisition planning process resulting in more efficient and timely acquisitions.
- Performed Independent Government Cost Estimates for all new procurements.

**NNSA-SPECIFIC ACCOMPLISHMENTS:**

- Established a project management lessons learned web-based system.
- Established a Source Evaluation Board to issue Construction Management Contract for NNSA construction projects

**11) CORRECTIVE ACTION FOR RCA ISSUE #7: Improve Project Oversight and Management.**

**DOE CORPORATE HIGHLIGHTS:**

- Procured, piloted and deployed next generation (web-enabled) Project Assessment and Reporting System (PARS II), which provides consistent, reliable, auditable data to all levels of management six months ahead of schedule.
- Enhanced independent project reviews by exporting Office of Science best business practice of "project peer review" process across Department.
- Expanded project reviews to include contract management.

**EM-SPECIFIC ACCOMPLISHMENTS:**

- Established an improved EM Business Model shifting greater authority and accountability to the field.
- Strengthening Headquarters policy, planning and best practice dissemination functions (e.g., adopting an “Advise-Assist-Assess” headquarters model).
- Shifted from M&O contracts for constructing facilities to FAR 15 contracting model.

**NNSA-SPECIFIC ACCOMPLISHMENTS:**

- Established policy requiring development of a Responsibility Assignment Matrix for each project, clearly delineating responsibilities between the field and headquarters.

**12) CORRECTIVE ACTION FOR RCA ISSUE #8: Improve Adherence to Project Management Requirements.****DOE CORPORATE HIGHLIGHTS:**

- Updated program and project management policy, guidance and standards and improved adherence to project management requirements.
- Revised DOE Order 413.3B and the External Independent Review process to incorporate RCA/CAP enhancements and Deputy Secretary’s principles and policies.
- Developed “Program Management Scorecard” to monitor DOE O 413.3B compliance.

**EM-SPECIFIC ACCOMPLISHMENTS:**

- Updated and aligned EM corporate metrics with restructured projects and operations.
- Ensured that 86% of EM projects are managed using certified EVM systems.
- Increased the frequency of EM senior management reviews of projects and operations activities with the prime contractor and Federal staff from quarterly to monthly.
- Established Recovery Act Site Representatives (RASRs) to provide additional oversight of contractor Recovery Act work.
- Piloted use of the Enterprise Project Control System (EPCS) in September 2010 to collect the baseline and schedule data for projects and operations and evaluate performance.
- Enhanced IPABS to improve reporting information and expand performance data.

**NNSA-SPECIFIC ACCOMPLISHMENTS:**

- Conducted a DOE Order 413 compliance review at each NNSA site and determined corrective actions required, following-up during successive project reviews.
- Established a requirement that Program Requirements Document be developed at CD-0.
- Created Criteria Review and Approach Documents to guide all Critical Decision reviews.

**13) CORRECTIVE ACTION FOR RCA ISSUE #9: Improve Project Oversight.****DOE CORPORATE HIGHLIGHTS:**

- Accelerated deployment of Project Assessment and Reporting System (PARS II) by six months – September 2010 vice April 2011—providing consistent, reliable, auditable project performance data to all levels of management.

- Enhanced independent project reviews by exporting the Office of Science's best business practice of project peer reviews across Department.

#### **EM-SPECIFIC ACCOMPLISHMENTS:**

- Conducted five acquisition management reviews at field sites in FY09 and completed validation and verification reviews for corrective actions by May 2010.
- EM conducts combined reviews for capital projects and operations activities and has increased the frequency of EM senior management reviews with the prime contractor and Federal staff from quarterly to monthly. OMB and GAO are invited to participate in the Monthly Reviews.
- EM has developed an Executive Dashboard that is accessible to all EM federal employees complex wide. The Dashboard enables tracking commitments made as part of the Program Reviews conducted by the Deputy Secretary and it enables the user to quickly ascertain key information on performance and financial aspects associated with each project and operations activity.

#### **NNSA-SPECIFIC ACCOMPLISHMENTS:**

- Trained NNSA project managers on enhanced Federal oversight roles and responsibilities.
- Established requirement for project managers to submit Lessons Learned semi-annually, which are posted on NNSA's website.
- Instituted annual peer reviews for all projects based on the Office of Science model.
- Administrator's support of additional funding (beginning in FY12) to increase Federal project staffing for selected NNSA projects.

### **14) CORRECTIVE ACTION FOR RCA ISSUE #10: Strengthen Project Owner's Role.**

#### **EM-SPECIFIC ACCOMPLISHMENTS:**

- Used the Recovery Act as an incubator for further advances in contract and project management by separating operations activities from capital projects to provide greater clarity and focus for management and oversight.
- Established an Independent Quality Assurance Program to verify that corrective actions resulting from studies of EM project management are sustained as continuing elements of EM program execution, with a focus on ensuring that processes and procedures are being followed and effective.
- Establishing partnering relationships for all major contracts to create win-win scenarios, where both the Federal and contractor staff understand and respect the rules of engagement and build better business relationships.

#### **NNSA-SPECIFIC ACCOMPLISHMENTS:**

- Ensured that nearly all NNSA projects are managed by Federal project directors certified at the appropriate level.
- Trained NNSA Federal project directors on their roles and responsibilities.
- Established monthly project performance briefings for the NNSA Administrator.

- Developing guidance on inherently Federal responsibilities in an NNSA Business Operating Procedure.

In a July 2010 letter, Gene Dodaro, Acting Comptroller General, expressed concern about three specific DOE programs. DOE is addressing these concerns as follows:

**15) GAO FINDINGS/RECOMMENDATIONS: Tritium Readiness Program** – large amounts of unexpended funding and lack of evidence that contracts comply with applicable FAR sections.

**NNSA RESPONSE AND ACTIONS:**

- Restructuring the firm fixed-price contract for Tritium Producing Burnable Absorber Rod (TPBAR) components and fabrication to reduce uncostered balances.
- Established that NNSA had the authority to award long-term contracts to support the 40-year tritium production enterprise.

**16) GAO FINDINGS/RECOMMENDATIONS: Readiness in Technical Base and Facilities Program** – unable to accurately identify the total costs to operate and maintain its nuclear weapons facilities, no mechanism to reconcile the differences in site contractors' cost accounting practices, and NNSA lacks the management information necessary to make cost-benefit decisions on infrastructure investments.

**NNSA RESPONSE AND ACTIONS:**

- CFO developing consistent definitions of cost categories. Estimated completion in third quarter of FY 2011.
- NNSA has implemented a Work Breakdown Structure (WBS) which has been used to gather the necessary data to be used in the programming process for FY 2012.
- Defense Programs developing a common WBS framework for budget formulation.
- DOE currently requires M&O contractors to report functional cost information annually and their actual *direct* costs monthly by Budget and Reporting code. However, given the M&O model, it is not feasible to require a common accounting system across different contractors.
- NA-10 is now responsible for all integrated infrastructure planning and budget formulation.
- NA-10 is developing a comprehensive path forward to address recapitalization and modernization priorities in the FY 2013-2017 programming process.
- Provided more detail budget justification in the FY 2011 and FY 2012 budgets.
- When the Enterprise Portfolio Analysis Tool is implemented we will be able to provide more detailed justifications and granularity.

**17) GAO FINDINGS/RECOMMENDATIONS: Savannah River Site Tank Waste Program** – evidence of contract management problems that could lead to significant cost increases and schedule delays, inability to conclude a contract performance baseline for over a year may affect the Department's ability to oversee the contractor's activities.

**EM RESPONSE AND ACTIONS:**

- At SRS, the site was managed under a single Management and Operating (M&O) contract for 50-plus years. EM focused its acquisition strategy on Liquid Waste remediation.
- EM's approach was to separate higher risk tank closure work from M&O type work to achieve lower overall costs.
- In 2008, EM awarded two contracts: an M&O contract and a Liquid Waste contract.
- A protest was lodged against the Liquid Waste award, and the protest was denied.
- Competition resulted in a contract to close 20 tanks in eight years, versus the 12 tanks originally planned in the Federal Baseline.
- DOE-EM Acquisition Strategy at SRS is expected to result in acceleration of life-cycle baseline by 6 years and reduce the life-cycle costs by over \$3B.
- EM has established an integrated Contract/Project Change Process with milestones to ensure that contracts are modified in a timely manner.
- EM is developing guidance for reviewing and approving baselines for non-capital asset operations which were previously covered by DOE O 413.3A. The guidance will be completed by November 2010.