

DOE F 1325.8  
(08-83)

United States Government

Department of Energy

# memorandum

DATE: September 12, 2007 Audit Report Number: OAS-L-07-24

REPLY TO  
ATTN OF: IG-32 (A06ET012)

SUBJECT: Audit of the "Use of External Independent Reviews at Environmental Management Sites"

TO: Chief Operating Officer, Office of Environmental Management

## INTRODUCTION AND OBJECTIVE

Under DOE Manual 413.3-1, *Project Management for the Acquisition of Capital Assets* (Manual), the Office of Engineering and Construction Management (OECM) must perform a Performance Baseline External Independent Review (Review) to support the validation of the performance baseline and provide reasonable assurance that the project can be successfully executed. The Manual also requires OECM to perform a Construction/Execution Readiness Review for all Major System projects to assess their readiness for construction or implementation and to confirm the completeness and accuracy of the performance baselines. From 2000 to 2005, 150 Reviews have been performed with costs ranging from \$50,000 to \$1.2 million per review.

The findings and recommended corrective actions from the reviewers are provided by OECM to the program/project staff for their response. This information is used by the OECM to determine the validity of the project's performance baseline and the sufficiency of project management actions needed to move the project to its next phase of development. Finally, OECM uses project management documentation, Reviews, and corrective action plans to recommend to senior management whether a project is ready for inclusion in the Department of Energy's (Department) annual budget request.

We conducted this audit to determine whether the Office of Environmental Management (EM) effectively implemented corrective actions resulting from External Independent Reviews.

## CONCLUSIONS AND OBSERVATIONS

Our audit found that EM could improve the implementation and tracking of open recommendations in the corrective action plans that result from Reviews. Currently, EM relies on site management to respond to the reviewers' findings and recommendations and to document and execute corrective action plans. However, of 20 Reviews we randomly selected for audit, the Department was unable to provide us with corrective action plans for 9 of the Reviews. Further, for the 11 Reviews which contained complete corrective action plans, we found some of the corrective actions were not completed and/or closed out, were written-off as "agreed to disagree", or had no response at all.

The Department could not provide documentation or a status of corrective action plans for 9 of the 20 Reviews we selected for audit. After identifying the Reviews selected for audit, we requested the corrective action plans to verify that corrective action was taken. However, as noted in the following table, management was unable to provide almost half of the plans requested.

Site	Reviews Selected	Corrective Action Plans Not Received
Portsmouth/Paducah	4	2
Miamisburg	2	0
Hanford	6	5
Idaho	2	0
Los Alamos	1	0
Nevada	2	0
Oak Ridge	2	2
Pantex	1	0
	20	9

In addition, for those Reviews where we were able to identify corrective action plans, we noted that recommended actions were either missing or not always completed and closed out. For example, a February 2002 Review recommended that the Department recognize the potential risk of employee benefit costs exceeding the baseline estimate and be prepared to establish contingency funding. The contractor concurred with the recommendation; however, no action was taken due to the fact that the Department chose to re compete the contract. After the new contractor took over, another Review was conducted in March 2003. Despite similar recommendations, the contractor did not respond to the Review until December 2003 and, as of February 2005, the Department could not provide responses to the recommendations. Ultimately, the lack of implementing these recommendations delayed project completion.

We noted that EM had not developed any system or procedures that allow for the results of Reviews to be documented and tracked. In requesting a list of Reviews performed at EM sites during a given period, no one was able to document for certainty, the number and location of Reviews performed. Further, it appeared that no specific individual had responsibility to track implementation of corrective actions. Rather, multiple sources at EM Headquarters, field sites, and contractors had to be contacted for us to obtain a copy for review.

Because of these weaknesses, we suggest that for future Reviews, EM develop a formal tracking system for open Review recommendations. A formal tracking system at the Headquarters level could improve oversight of Review recommendations by allowing them to be more easily identified and tracked to help ensure that they are implemented in a timely manner.


## SCOPE AND METHODOLOGY

The audit was performed from September 2006 through August 2007 at OECM in Washington, DC, and the EM Office of Project Management Oversight in Germantown, Maryland. The audit scope was limited to Reviews of EM programs. To accomplish the audit objective, we obtained and examined Reviews and corrective action plans completed from 2000 to 2006 and interviewed OECM and EM personnel.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit included tests of internal controls for tracking open corrective actions and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. Also, we evaluated the Department's implementation of the *Government Performance and Results Act of 1993* and determined that the Department uses these Reviews to validate and verify program performance. Finally, since we did not rely upon automated data processing information to accomplish our audit objective, we did not conduct an assessment of the reliability of computer processed data.

An exit conference was held with officials from EM's Office of Acquisition and Project Management on August 16, 2007. We appreciate the cooperation of your staff during our review. Because no formal recommendations are being made in this letter report, a formal response is not required.



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