

U.S. DEPARTMENT OF ENERGY

STRATEGY FOR IMPROVING CONTRACT AND PROJECT MANAGEMENT

Introduction

In December 2010, the Deputy Secretary convened a summit to discuss strategies for improving contract and project management. The participants addressed six issues, which were identified as barriers to improved performance, including:

- Project and contract alignment, change control, and truing-up contracts;
- Program/project prioritization and funding alignment;
- Contract administration including surveillance, monitoring and oversight;
- Roles and responsibilities of contracting officers and contracting officer representatives;
- Accountability and aligning incentives;
- Adequate project and contract management staffing.

As a result of the summit discussions, the Department will implement the strategies outlined in this report to improve contract and project management.

Issue #1 Project and Contract Alignment, Change Control, and Truing-Up Contracts

The summit participants concluded that program offices do not consistently maintain alignment between the contract and the project baselines throughout contract performance. In addition, they found that it takes too long to “true-up” contracts. They attributed these problems in part to a lack of a common understanding of performance expectations, unclear terminology, and inadequate acquisition planning. In addition, they expressed concern about the lack of coordination between contracting officers and Federal project directors. To address these issues, the Department will take the following actions:

- Clarify expectations and terminology regarding change management through the development of a change control guide that will also set forth a structure for improved change control and provide training/support to implement improvements.
- Develop and implement recommendations to improve acquisition planning and lead time.
- Develop and implement recommendations to improve coordination between contracting officers and Federal project directors.

The Office of Environmental Management will take the lead for these actions as it is the organization most affected by issues involving change control and truing-up contracts and has already begun to institute improvements. These actions will be completed by the end of FY 2011.

Issue #2 Program/Project Prioritization and Funding Alignment

The Department lacks a consistent, integrated process for establishing project priorities within programs and for using those priorities to drive budget decisions. The summit participants also cited the need for long-term planning, programming, budgeting and execution (PPBE) as a challenge to improving the alignment of funding with priority projects. To address this issue, the Department will:

- Develop and implement a robust PPBE system.
- Decide whether to establish a system for prioritizing projects and aligning funding based on benchmarking with other agencies and DOE programs.

The Office of the Chief Financial Officer will coordinate this effort with the programs and will complete it by the end of FY 2012.

Issue #3 Contract Administration, Including Surveillance, Monitoring and Oversight

The summit participants concluded that the Department does not consistently and adequately administer contracts so that projects are completed on time and within cost. They attributed this situation to a lack of personnel resources and insufficient emphasis on basic contract administration. To address these issues, the Office of Management will lead an effort to improve Contract Management Plans to ensure appropriate surveillance and oversight. These actions will be completed by July 2011.

Issue #4 Roles and Responsibilities of Contracting Officers and Contracting Officer Representatives

Contracting Officers (COs) and Contracting Officer Representatives (CORs) have distinct roles, responsibilities, and authorities; however, the summit participants expressed concern that these roles and responsibilities are not universally understood and followed. To address these concerns, program offices will establish and communicate clear roles, responsibilities, and authorities for their COs and CORs. The Office of Science Management System, which sets forth roles, responsibilities, and authorities, should be benchmarked as a possible model. In addition, programs should conduct an annual assessment of and forecast needs for CORs. Also, MA will investigate training to help programs enhance understanding of roles and responsibilities. MA will coordinate implementation of these actions, which will be completed by July 2011.

Issue #5 Accountability – Aligning Incentives

The summit participants agreed that the Department needs to improve its ability to hold federal employees and contractors accountable for project and contract performance and to award fees to contractors consistent with project performance and/or operational targets. In addition, the Department needs to improve its process for documenting contractor performance. To address these issues, the Department will:

- Ensure that all program offices identify a single owner at headquarters to be responsible for each capital line-item project.
- Ensure project assessment organizations are adequately staffed and have direct access to senior leadership.
- Enhance implementation of peer reviews based on the SC model.
- Ensure that contractor performance is appropriately documented and taken into consideration in awarding future contracts.
- Ensure contract fee determination is consistent with contractor performance.

NNSA will coordinate efforts to implement these actions by July 2011.

Issue #6 Adequate Project and Contract Staffing

Despite recent efforts, the Department continues to need to identify and obtain sufficient capital asset project and contract management personnel with the skills and experience to manage projects and contracts. To address this issue, NNSA will lead a team to evaluate and determine the best funding strategy for resourcing Integrated Project Teams for projects. The team will also benchmark and analyze best practices for training and incentivizing project and contracting staff. These actions will be completed by September 2011.

Implementation

The Office of Management will coordinate implementation of these efforts through an Executive Steering Committee with representatives from the Department's project management and contracting communities from both program and staff offices as well as the contractor community (except for pre-decisional procurement matters), including the Energy Facilities Contractor Group and the National Laboratory Directors Council. The Executive Steering Committee will report to the Deputy Secretary periodically on the implementation status.