



## **POLICY FLASH 2006-42**

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DATE: July 14, 2006

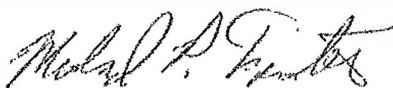
TO: Procurement Directors

FROM: Office of Procurement and Assistance Policy, MA-61  
Office of Procurement and Assistance Management

SUBJECT: Project Management and Financial Assistance

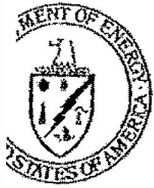
SUMMARY: This Flash forwards a memorandum by David K. Garman, the Under Secretary of Energy, outlining his expectations for incorporating project management principles into Financial Assistance activities. Contracting Officers issuing funding opportunity announcements (FOAs) or making financial assistance awards should be aware of the requirements of this memorandum and applicable Program Secretarial Office implementation requirements. Subchapter 2.1.6, Program and Project Management, (attached) has been added to the Guide to Financial Assistance to remind Contracting Officers to consider project performance risks and project management in issuing FOAs and making awards.

Questions concerning this policy flash should be directed to Jackie Kniskern at 202-287-1342 or [Jacqueline.Kniskern\(i1\),hq.doc.gov](mailto:Jacqueline.Kniskern(i1),hq.doc.gov).



Michael P. Fischetti, Director  
Office of Procurement and  
Assistance Policy

Attachments



The Under Secretary of Energy  
Washington, DC 20585

June 23, 2006

MEMORANDUM FOR DISTRIBUTION

FROM: DAVID K. GARMAN, Deputy Assistant Secretary for Energy Efficiency and Conservation  
SUBJECT: Project Management Expectations for Financial Assistance Activities

The research and development activities conducted through financial assistance awards; specifically grants, cooperative agreements, and Technology Investment Agreements are important elements of our portfolio. In fiscal year 2005 alone, the Department of Energy (DOE) funded \$1.7 billion of new financial assistance awards, with a total value of \$2.6 billion, when private sector cost share is added,

Given the size and importance of these investments, we commissioned a team of individuals from our respective offices and the Office of Management to develop a framework for the application of the principles of project management to financial assistance awards. The major elements of that framework are presented in Attachment I, and are consistent with DOE Order 413.3, Program and Project Management for the Acquisition of Capital Assets,

I expect that managing our financial assistance practices to this framework will allow us to do the following:

- Demonstrate that our financial assistance award and administration practices are based upon sound project management principles;
- Segregate projects by risk and provide management input to these projects at the appropriate organizational level; and,
- Improve management of those financial assistance projects that, by virtue of their unique attributes, require affirmative review by DOE Executive Management to ensure the achievement of the project's goals.

To implement the framework, each Program Secretarial Office (PSO) is required to assess its financial assistance award and administration practices against the Project Management Principles described in Attachment I and report those practices to me by August 18, 2006. I anticipate that current management practices will generally conform with these principles. However, in the event that a PSO cannot demonstrate that its practices are consistent with these principles, the PSO will document to this office what actions it is taking to fulfill this requirement. In addition, all fiscal year 2006 and 2007 Funding Opportunity

Announcements that result in initial awards in 2007, and all other initial 2007 awards will be coordinated with OOE senior management in accordance with the thresholds outlined in Attachment I.

Secretary Uodman has repeatedly challenged DOE management to improve DOE's management systems and capabilities to better serve DOE's mission needs. I believe that adopting these principles will help ensure sound project management and management awareness in this key portion of our research and development portfolio.

#### Attachment

#### DISTRIBUTION:

James A. Rispoli, Assistant Secretary for Environmental Management

Alexander A. Karsner, Assistant Secretary for Energy Efficiency and Renewable Energy

Jeffrey D. Jarrett, Assistant Secretary for Fossil Energy

Dennis R. Spurgeon, Director, Office of Nuclear Energy, Science and Technology

Edward F. Sprott, II, Director, Office of Civilian Radioactive Waste Management

Kevin M. Kolevar, Director, Office of Electricity Delivery and Energy Reliability

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 Carlsbad Field Office  
 Golden Field Office  
 Ohio Field Office  
 Idaho National Engineering and Environmental Laboratory  
 Lawrence Berkeley National Laboratory  
 Lawrence Livermore National Laboratory

Los Alamos National Laboratory  
National Energy Technology Laboratory  
National Renewable Energy Laboratory  
Oak Ridge National Laboratory  
Office of River Protection  
Pacific Northwest National Laboratory  
Portsmouth Paducah Project Office  
Richland Operations Office  
Rocky Flats  
Sandia National Laboratories  
Savannah River Operations Office  
Yucca Mountain Site Operations Office

## Attachment 1

### **Project Management Framework for Financial Assistance Awards in the Office of the Under Secretary**

The following framework is to be used by Program Secretarial Officers (PSOs) to plan and administer all initial financial assistance awards beginning in fiscal year 2007.

#### Project Management Principles

Project management principles, which are consistent with DOE O 413.3, are as follows:

- Mission need must be defined and approved by the appropriate management official;
- A range of alternatives to meet the mission need must be considered, developed, and evaluated;
- Project objectives must be defined up front and be used to judge project success;
- Project performance risks (technical, financial, and otherwise) must be identified and mitigated in an implementation strategy;
- Projects must be managed by qualified individuals;
- Scope, schedule, and budget must be established for each project and serve as the basis for project management; and,
- Projects must be managed and reported against the established scope, schedule, and budget

These project management principles apply to all financial assistance awards (grants, cooperative agreements, and Technology Investment Agreements), regardless of their size or complexity.

#### Guidance for Managing Financial Assistance Projects

Financial assistance projects will be segregated by the following financial thresholds. These thresholds determine the organizational level at which projects will be managed and reviewed. The following thresholds represent the DOE share only and are meant as general review levels. Funding Opportunity Announcements and Awards that have high visibility, high risk or other unique attributes may be subject to senior management review without regard to these thresholds.

Financial Assistance Thresholds for DOE Management Review				
	Field	Under Secretary	Deputy Secretary	
Funding Opportunity Announcements (aggregate value of expected awards)	<\$100 million	\$100-\$400 million	>\$400 million	
Individual Awards	<\$50 million	\$50-\$100 million	\$100-\$400 million	>\$400 million

- Financial Assistance for Individual Awards Less than \$50 Million  
 Responsibility for the management of these awards rests with the field organization or as otherwise assigned by the PSO. No review is required above the level of the Field Element Manager. The field organization is responsible for all project reporting and administration.
- Financial Assistance Solicitations Less than \$100M or Individual Awards Between \$50 Million and \$100 Million  
 Responsibility for the management of these actions and awards rests with the field organization, or as otherwise assigned by the PSO. The PSO must be notified no later than 30 days prior to issuance of the announcement or award. Subsequent to PSO review, the field organization is responsible for all project administration and reporting to the PSO.
- Financial Assistance Solicitations Between \$100 Million and \$400 Million or Individual Awards Between \$100 Million and \$400 Million  
 Responsibility for the management of these actions and awards rests with the field organization, or as otherwise assigned by the PSO and Under Secretary. The PSO is required to notify the Under Secretary no later than 30 days prior to issuance/award, and if requested, coordinate a Senior Management review of the Funding Opportunity Announcement/financial assistance award. Templates for senior management notification and for these reviews are attached. Subsequent to Under Secretary review, the field organization is responsible for all project administration and reporting to the Under Secretary and PSO.
- Financial Assistance Solicitations Greater than \$400 Million or Individual Awards Greater than \$400 Million  
 Responsibility for the management of these actions and awards rests with the field organization, or as otherwise assigned by the PSO, Under Secretary, or Deputy Secretary.

Secretary. The PSO is required to notify the Under Secretary, who notifies the Deputy Secretary, no later than 30 days prior to issuance/award, and if requested; coordinate a Senior Management review of the Funding Opportunity Announcement/financial assistance award. Templates for senior management notification and for these reviews are attached. Subsequent to the Deputy Secretary's review, the field organization is responsible for all project administration and reporting to the Deputy Secretary, Under Secretary, and PSO.

Finally, the PSO is required to notify the Under Secretary of any intent to discontinue a previously awarded financial assistance instrument with a DOE share of greater than ten million dollars.

**SENIOR MANAGEMENT BRIEFING  
FUNDING OPPORTUNITY ANNOUNCEMENT / FINANCIAL ASSISTANCE AWARD**

**PURPOSE:**

The senior management briefing is held to ensure that U.S. Department of Energy (DOE) management is fully informed and offered an opportunity to review and comment on all funding opportunity announcements (FOAs) and financial assistance awards greater than \$100 million (DOE funds), prior to signature. No later than 30 days prior to the release of an FOA or signature of a financial assistance award greater than \$100 million, senior management will be offered a briefing.

**SENIOR MANAGEMENT BRIEFING PARTICIPANTS:**

Senior management briefings are chaired by the program office responsible for finalizing the financial assistance award. The following participants, or their designee, must be invited:

Deputy Secretary (FOA >\$400 million [DOE share])  
Under Secretary (FOA >\$100 million - \$400 million [DOE share])  
Program Secretarial Officer  
(Internal Counsel  
Procurement  
Budget  
Congressional and Intergovernmental Affairs)

**BRIEFING OBJECTIVE:**

The briefing must address the following:

- How the proposed project meets the mission needs of the program and the Department;
- How the proposed project is the best alternative for achieving the program objectives;
- How the project will be managed, i.e., responsible individuals, resources required, scope, schedule, decision points, etc.;
- Management and communication sensitivities (Administration, Congressional, State and local, industry, stakeholders, etc.); and
- Specific authorizing legislation or statutory requirements.

## **BIUWING CONTENT:**

The hricling should include the following information:

- I. Statement of Mission Need and Alternatives Assessment (required for FOAs only)
- II. Linkage to Strategic Management Multi-Year Plans and Budget Requests
- III. General Information**
  - Sponsoring Program Office
  - Funding Opportunity Announcement from which the project was selected
  - Award recipient and the basis for the selection
- IV. Management Structure and Processes
  - Description of the prime recipient and all major sub-recipients
  - Description of the recipient's management processes including any special tailoring of standard processes for this project
  - Project review methods and schedule
  - Reporting and documentation
  - Key Personnel (recipient and DOE), e.g., project, procurement, financial, legal, property, etc.
- V. Detailed Project Description
  - Project Scope--statement of project objectives and work breakdown structure
  - Project Schedule--including major milestones and decision points
  - Funding
    - o Total projected Federal funding and participant cost share
    - o CoM plan and funding requirements (Federal and participant) by year.
  - Property--if project includes construction of a capital asset, describe the recipient's project management procedures as they relate to DOE Order 413.3
- VI. Pre-Award Considerations
  - Legal issues
  - Intellectual property
  - Protected E/ACT information
  - Advanced patent waiver request
  - NEPA approach/requirements
  - National Laboratory and federally funded research and development centers' participation
  - E/ACT cost share requirements
  - Congressional notification
  - Other
- VII. Management and Communication Sensitivity



### 2.1.6 Project Management

As part of DOE's stewardship responsibilities for its financial assistance awards, Contracting Officers and program officials must consider program and project management. While DOE 0413.3, *Program and Project Management for Acquisition of Capital Assets*, does not apply to financial assistance, the basic principles outlined in the order can be applied. These principles include:

- Mission need defined;
- Alternatives to meeting the mission need considered, developed, and evaluated;
- Project objectives defined up front and used to judge project success;
- Project performance risks (technical, financial, and otherwise) identified and mitigated in the implementation strategy;
- Projects managed by qualified individuals;
- Scope, schedule, and budget established for each project; and
- Projects managed and reported against established scope, schedule, and budget.

Contracting Officers should be aware of specific program requirements and work with program officials to ensure that funding opportunity announcements (FOAs) are consistent with these requirements and the above principles. The FOA should include merit review criteria that assess the recipient's abilities to manage projects consistent with the level of risk involved in the project. For large research and development projects, the FOA template includes a "Project Management Plan." requirement that should be included in the FOA.

Special terms and conditions may be required for awards with project performance risks. These could include structuring budget periods around go/no-go decisions, special reporting requirements or payment schedules.