



U.S. DEPARTMENT OF  
**ENERGY**

OFFICE OF  
**ENVIRONMENTAL  
MANAGEMENT**

# ***EM Contract and Project Management***

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**Christopher Honkomp**

*Acting Associate Deputy Assistant Secretary*

Acquisition and Project Management

**Site-Specific Advisory Board Chairs Meeting**

**September 2, 2015**

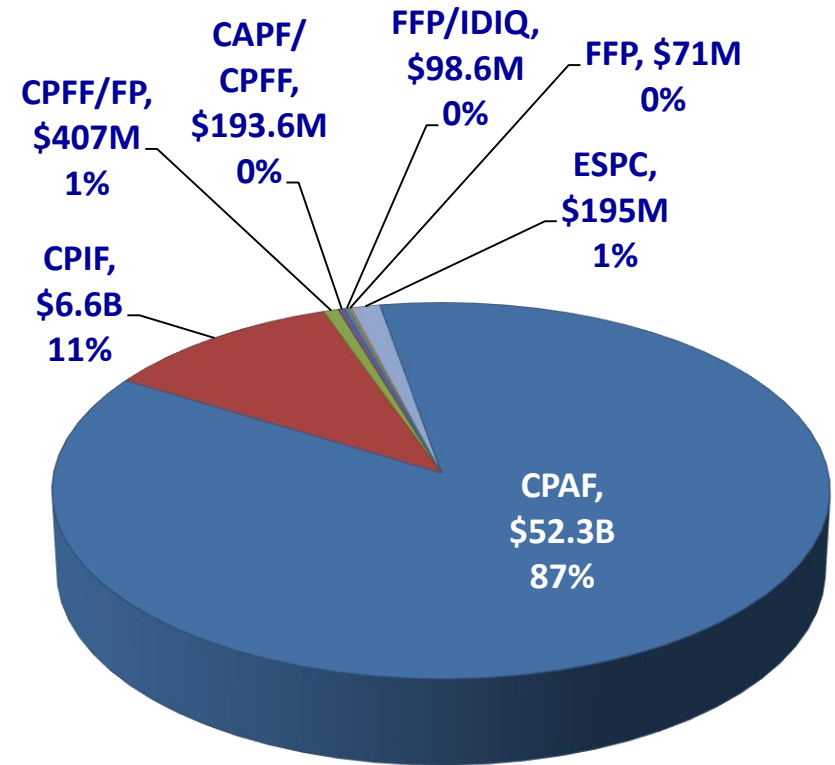
## ***GAO High Risk List Report (Feb 2013)***

- DOE was added to GAO's High Risk List for Contract Management in 1990
- DOE has continued to take many steps to address contract and project management weaknesses, including:
  - Demonstrating strong commitment and top leadership support
  - Developing a corrective action plan that identifies effective solutions
  - Demonstrating progress toward implementing corrective measures
- To recognize progress at DOE on NNSA and EM execution of non-major projects (< \$750 million), we are shifting the focus of its high-risk designation to major contracts and projects executed by NNSA and EM, those contracts and projects with values of \$750 million or greater
  - Based on conclusions from GAO Report "Better Information Needed to Determine If Nonmajor Projects Meet Performance Targets," January 2013
- Additional actions are needed to meet the remaining criteria:
  - DOE needs to commit sufficient people and resources to resolve its contract management problems
  - DOE must monitor and independently validate the effectiveness and sustainability of its corrective measures

# EM Contracts Portfolio

Contract Type	Total Number	Total Dollar Value
Cost Plus Award Fee (CPAF)	20	\$52.3B
Cost Plus Incentive Fee (CPIF)	4	\$6.6B
Cost Plus Fixed Fee/Fixed Price (CPFF/FP)	1	\$407M
Cost Plus Award Fee/Cost Plus Fixed Fee (CPAF/CPFF)	1	\$193.6M
Firm Fixed Price w/Fixed Price IDIQ/CR Line Items/Award Fee (FFP/IDIQ)	1	\$98.6M
Firm Fixed Price (FFP)	1	\$71M
ESPC Fixed Price Delivery Order	1	\$795M

## EM Major Contract Types



# EM Capital Asset Project Portfolio Overview

**FY 2015 Total Funding \$5.29B**  
**Capital Project Funding \$1.27B**

➤ **4 Line Item Construction Projects (post CD-3)**

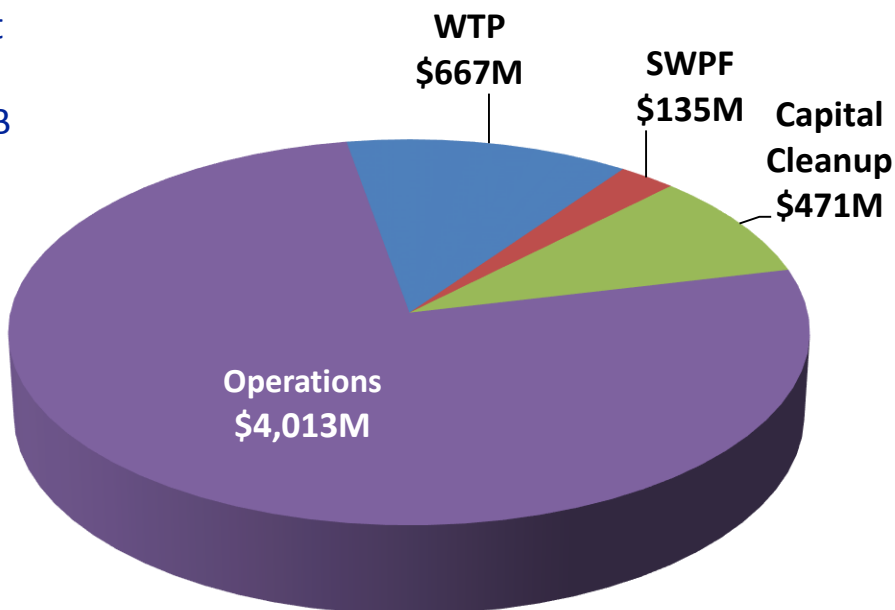
- Waste Treatment and Immobilization Project (WTP) - \$12.3B TPC
- Salt Waste Processing Facility (SWPF) - \$2.3B TPC
- Saltstone Disposal Unit #6 (SDU6) - \$143.1M TPC
- KW Basin Sludge Removal Project - \$308.3M TPC

➤ **9 EM Cleanup Projects (post CD-3) – \$3.4B combined TPC**

- Waste Disposition
- Soil and Groundwater Remediation
- Decontamination & Decommissioning

➤ **12 Active Pre CD-2 Projects**

- Cost Range: \$13.8M - \$16B
- Waste Disposition
- Soil and Groundwater Remediation
- Decontamination & Decommissioning



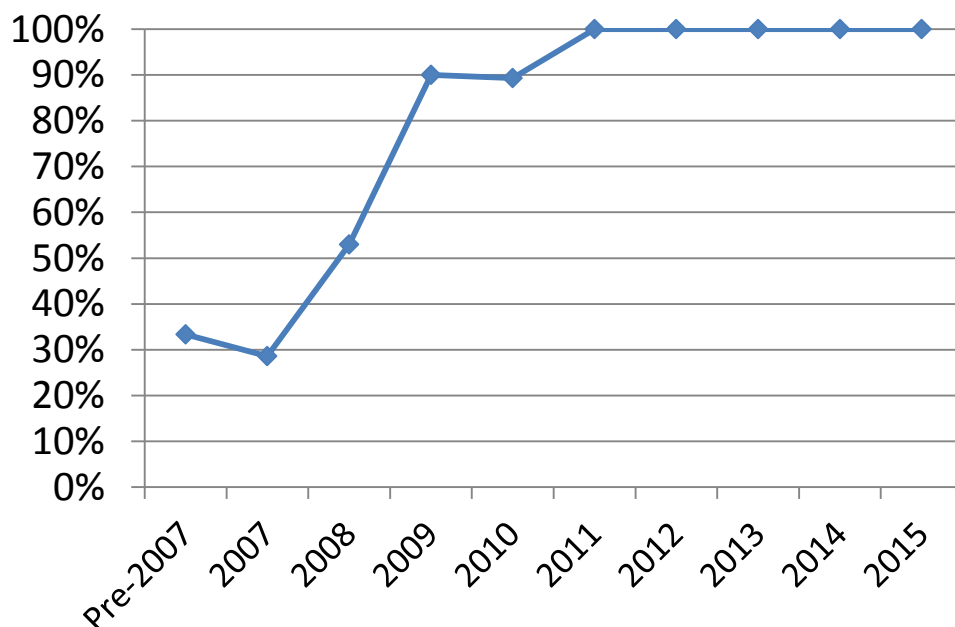
# Improved EM Project Success

- The EM project success has improved, with projects baselined after FY 2008 performing better than projects baselined in previous years
- Implemented project and contract management improvements
  - EM Best in Class Project Management Implementation Plan – March 2008
  - DOE RCA Corrective Action Plan – June 2008
  - EM Acquisition and Project Management Corrective Action Plan - August 2009
- Actions included:
  - Establishing smaller, more manageable projects
  - Achieving more design maturity prior to CD-2
  - Committing funding to execute baselines
  - Increasing staffing resources to support projects
  - Implementing best practices in cost estimation
  - Providing peer review assistance to projects
- Resulting in cumulative portfolio success of 91% (43 of 47) for projects baselined after FY 2008



# EM Project Success by Original Baseline Date

**Project Success by  
Fiscal Year Baselined (Original CD-2)**



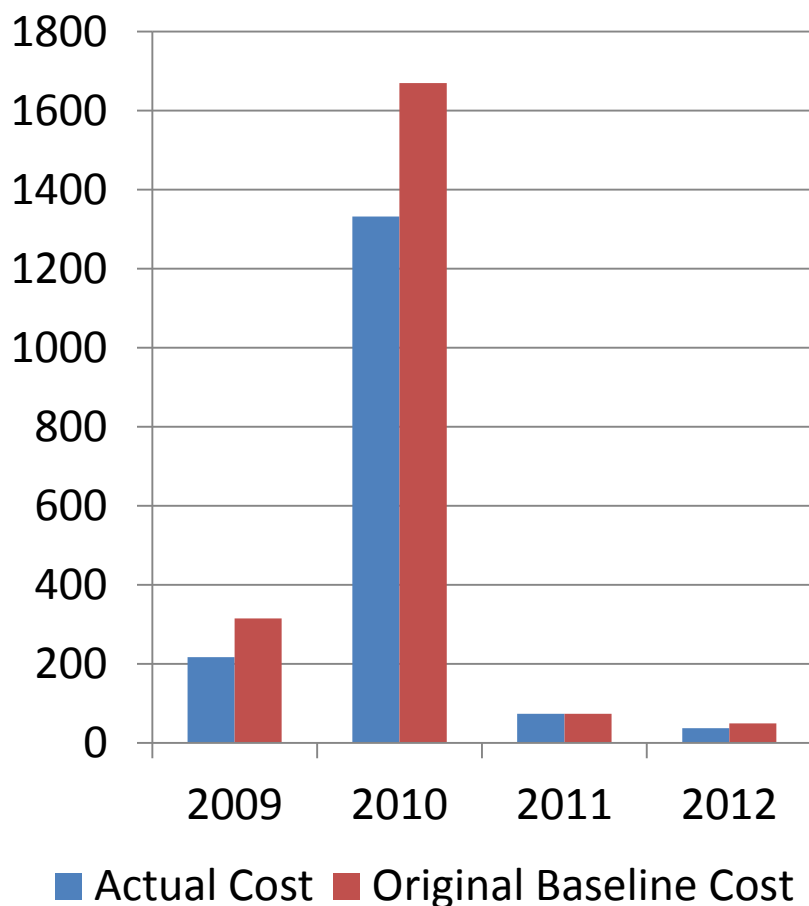
- Cumulative portfolio success of 91% (43 of 47) for projects baselined after FY 2008
- Earlier baselines were only 44% (12 of 27) successful

Fiscal Year of CD-2	Pre-2007	2007	2008	2009	2010	2011	2012	2013	2014	2015
Success of completed projects with CD-4	50% 1 of 2	33% 2 of 6	60% 9 of 15	90% 9 of 10	92% 24 of 26	100% 4 of 4	100% 1 of 1	--	--	--
Forecast for active CD-2/3 projects	0% 0 of 1	0% 0 of 1	0% 0 of 2	--	50% 1 of 2	--	--	100% 1 of 1	100% 2 of 2	100% 1 of 1
TOTAL All Projects	33% 1 of 3	29% 2 of 7	53% 9 of 17	90% 9 of 10	89% 25 of 28	100% 4 of 4	100% 1 of 1	100% 1 of 1	100% 2 of 2	100% 1 of 1

Note: DOE success definition is used (project scope completed within 110% of the cost at original CD-2)

# EM Improvements Result in Savings

Original Baseline Cost  
vs. Actual Cost (\$M)



- Cumulative value of original CD-2 baselines established since 2008 is \$2.108 B
- Cumulative value of actual costs of completed projects baselined since 2008 is \$ 1.660 B
- Total savings of \$448 M

# Improved Project and Contract Management Strategies

## DOE EM Goal: Improve project and contract management with the objective of delivering results on time and within cost.

- Strategy 1: Annually-assess contract and project management staffing and skills to build and sustain needed capacity for Federal oversight of EM mission. (GAO High Risk Criteria.)
- Strategy 2: Independently-validate the effectiveness and sustainability of contract and project management improvement actions through project and contract management reviews. (GAO High Risk Criteria.)
- Strategy 3: Improve acquisition planning and contract management by adhering to principles described in the Deputy Secretary's policy memorandum of December 12, 2012: (1) always seeking to align contractor interest with taxpayer interest; and (2) structuring contracts so that each party bears responsibility for its own actions.
- Strategy 4: Improve the timeliness of approvals for contract performance baselines, contract modifications, and project changes to maintain contract, project and budget alignment by ensuring change management requirements and guidance is understood and being followed.

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# Improved Project and Contract Management Strategies (continued)

**DOE EM Goal: Improve project and contract management with the objective of delivering results on time and within cost.**

- Strategy 5: Increase the use of prime contractor small businesses.
- Strategy 6: Become a stronger owner by ensuring requirements are clearly delineated in the contracts, by holding contractors accountable for delivering results, and by ensuring contractors' performance is fairly documented.
- Strategy 7: Execute world-class contract management and administration of traditional and management and operations multi-year contracts

# Emerging policy implementation

- **Deputy Secretary's memorandum of December 2012**
  - Improve Upfront Planning and Requirements Definition
  - In selecting contract type, contracting officers will first consider the use of a firm-fixed-price contract
  - Contracting Officers and program officials shall consistently document real-time contractor performance
  - The Department will structure contracts so that contractors will bear the responsibility for their actions, i.e., taxpayers should not pay the contractor for poor performance or negligence.
- **Business Systems**

Acquisition Letter (AL) 2013-11 implements compliance enforcement mechanisms in the form of business systems clauses and related clauses that requires the contractor to have acceptable business systems that comply with system criteria. The contractor will be required to have acceptable business systems for cost estimating, accounting, and earned value management.

# Aligning Contract Incentives

- **Ensure contracts align with taxpayer interests and structure contracts so contractors bear responsibility**
  - Hold contractors accountable for overruns due to negligence
  - Share savings due to better-than-promised performance
- **Improve upfront planning and requirements definitions**
  - Ensure sufficient design and technical readiness before beginning construction activities
- **Consider Firm-Fixed-Price (FFP) contracts first**
  - Identify work that can be awarded FFP in new procurements and when exercising options on current contracts
  - Negotiate cost caps or ceilings on existing contracts
- **Use objective performance based incentives for non-FFP contracts**
- **Use provisional fee, hard cost caps, or cost share approaches to ensure parties bear responsibility for their actions**
- **Document performance to hold contractors accountable; hire contractors who provide good performance**

# Major Procurement Update

## Recent Awards

• Oak Ridge A-E	5/15	\$1.5M
• ORP Lab Services (222-S)*	5/15	\$44.6M
• Paducah Infrastructure*	6/15	\$138.8M
• Oak Ridge TRU Waste Processing Facility *	6/15	\$123.9M

## Actions on Major Contracts

- Waste Treatment Plant, DFLAW Design agreement on way forward
- Richland Plateau Remediation, Option through Sept 2018
- Office of River Protection Tank Operations Contract, Option through Sept 2016
- Savannah River Salt Waste Processing Facility, Construction Overrun resolved
- Savannah River Management & Operations, Option through Sept 2016
- Paducah GDP True-up of the contract

\*Small Business Award

## Upcoming Awards

### 2015

- Portsmouth Infrastructure\*
- Carlsbad Technical Assistance Contract\*
- Idaho NRC Licensed Facilities\*
- Idaho Core

### 2016

- PPPO Gas. Diffusion-DUF 6 Conv. Plants Follow-on
- Headquarters IT\*
- Paducah GDP Deactivation
- EM Los Alamos Post FY16 Contracts

\*Small Business Award



# Helpful Websites

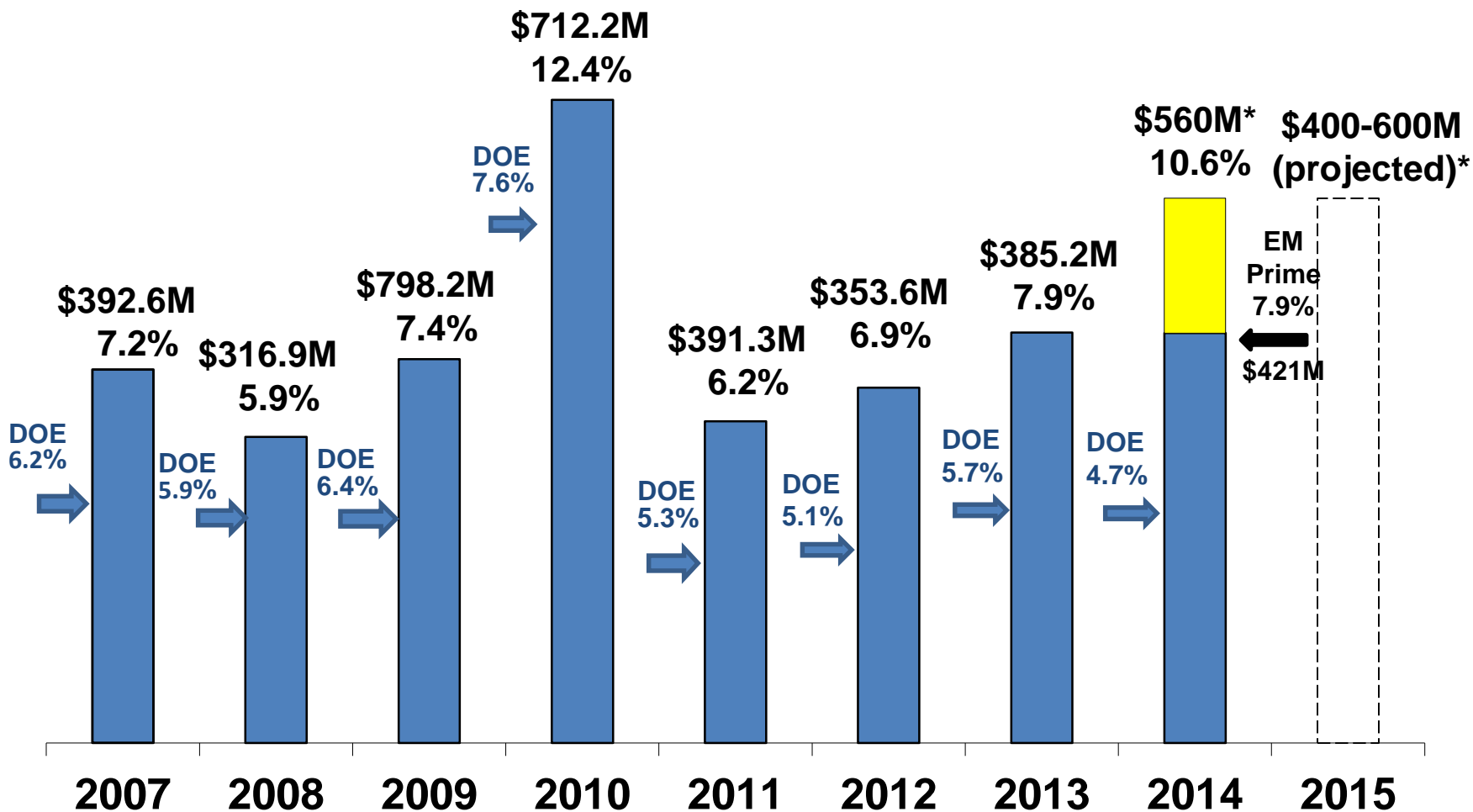
- Fees Earned by EM Major Contractors:  
<http://www.em.doe.gov/Pages/EMContractorPayments.aspx>
- Listing of EM Major Contracts:  
[http://energy.gov/sites/prod/files/2013/10/f3/EM\\_Major\\_Contracts\\_Summary\\_093013update.pdf](http://energy.gov/sites/prod/files/2013/10/f3/EM_Major_Contracts_Summary_093013update.pdf)
- DOE Acquisition Forecast:  
<http://hqInc.doe.gov/Forecast>
- EMCBC Major Procurements Website:  
<http://www.emcbc.doe.gov/doingbusiness.php>
- EM Public Website:  
<http://energy.gov/em/office-environmental-management>

**EM is committed to creating sustainable contract opportunities for small businesses by increasing the amount of meaningful work for small business prime contracting.**

## **Key Strategies**

- Work with DOE's Office of Small and Disadvantaged Business Utilization and EM Sites to develop small business Prime and Subcontracting strategies
- Achieve Prime Small Business goal at each EM Site
- Emphasize attainment of small businesses goals in each of the socio-economic categories at the site level
- Increase the amount of meaningful opportunities for prime small business contracting

# Small Business Prime Contract Funding Trends



\* Includes M&O First Tier Small Business subcontract commitments

- **Socio Economic Performance**

<u>Category</u>	<u>Goal</u>	<u>Actual</u>
• Small Disadvantaged	5%*	2.6%
• Women Owned	5%*	1.6%
• HUB Zone	3%*	1.4%
• Veteran-Owned Service Disabled	3%*	0.1%

\* Small Business Administration Goal

# Small Business Utilization

<u>Service Description</u>	<u>Location</u>	<u>Contract Value</u>
• TRU Waste Processing (legacy)	Oak Ridge	\$160M
• WIPP Transportation (2)	Carlsbad	\$21M each
• Occupational Medical Services	Hanford	\$100M
• Laboratory Services	Hanford	\$50M
• Technical Services	Portsmouth	\$40M
• Remediation Services	Paducah	\$270M
• Remediation Services	Moab	\$120M
• Technical Assistance	Carlsbad	\$30M
• Infrastructure Services	Paducah	\$60M
• Technical Assistance	Moab	\$20M



# Small Business Utilization

<u>Service Description</u> <u>Value</u>	<u>Location</u>	<u>Awarded</u>
• Facility Support	Portsmouth	\$40M
• Paducah Technical Services	Paducah	\$20M
• Remediation Services	Santa Susana	\$25.7M
• Environmental Characterization Services	West Valley	\$30M

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## Richland Operations Office

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## Savannah River Operations Office:

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## Idaho Operations Office:

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