



U.S. Department of Energy
Office of Inspector General
Office of Audit Services

Audit Report


The Department's Information
Technology Capital Planning and
Investment Control Activities



Department of Energy
Washington, DC 20585

September 30, 2010

MEMORANDUM FOR THE SECRETARY

FROM: 
Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Audit Report on "The Department's Information Technology Capital Planning and Investment Control Activities"

BACKGROUND

The Department of Energy spends approximately \$2.2 billion annually on information technology (IT) resources to help accomplish its science, security, energy supply and environmental mission objectives. The Department's capital planning and investment control (CPIC) process is an essential tool for managing IT investments. The Office of Management and Budget (OMB) requires that agencies implement a well-managed CPIC process to enhance the ability to properly set spending priorities, control investments and evaluate the success of those investments once completed. As part of its current focus on eliminating under-performing investments, OMB requires that agencies develop an IT Investment Portfolio and Capital Asset Plans – two activities that are necessary to ensure new and ongoing investments are appropriately identified and managed efficiently and effectively.

Past and ongoing Office of Inspector General (OIG) reviews have disclosed weaknesses in the Department's ability to effectively manage its CPIC activities. For instance, our report on *The Department's Information Technology Capital Planning and Investment Control Process* (OAS-L-06-10, March 2006) identified Headquarters program offices that had not always fully implemented the capital planning process. More recently, the audit of the *Management of the National Nuclear Security Administration's Classified Enterprise Secure Network Project* (DOE/IG-0823, September 2009) found that the National Nuclear Security Administration (NNSA) had not been reporting required capital planning information to the Department or OMB, depriving senior management and OMB of the information necessary to ensure that projects were properly managed. In light of those issues, we initiated this audit to determine whether the Department's CPIC process was effective.

RESULTS OF AUDIT

The Department had not effectively implemented a CPIC process for controlling and managing IT spending. Specifically, management tools required by OMB, such as IT investment portfolios and capital asset plans, which enable the Department to select and control its IT investments, had not been properly implemented. In particular:

- Program and site officials had either not identified or had misclassified investments valued at more than \$371 million in their IT investment portfolios. For example, the

majority of field sites reviewed had not included all appropriate investments in the Department's comprehensive IT portfolio. In addition, those investments that were reported were often misclassified or were inconsistently reported between sites and organizations; and,

- Major IT investments used to help accomplish the missions of the Department were not always supported by required capital asset plans. Such plans are necessary to ensure that IT initiatives are implemented in a timely and cost effective manner. Specifically, several large investments were divided into segments, thereby circumventing the requirement that they be reported as major investments supported by capital asset plans. Capital asset plans also were not developed for financial systems, as required. In some cases, the capital asset plans were not submitted in a timely manner to program officials for review.

These issues were due, in part, to problems with the Department's policy and guidance. In particular, guidance issued by the Department's Office of the Chief Information Officer (OCIO) was not consistent with Federal requirements related to identifying and reporting major IT investments. In addition, insufficient performance monitoring and review by program and site office officials contributed to an ineffective CPIC process. As a result, IT capital planning activities did not provide Department senior management with timely and accurate information essential for making informed decisions about investments that compete for limited resources. In addition, absent a complete and accurate investment portfolio, the Department lacks the tracking data to ensure that its development efforts are on schedule and within budget.

We found that the Department had, however, taken certain actions to enhance its CPIC process. For instance, the OCIO has implemented a monthly IT dashboard reporting process to help manage investment performance. In addition, site officials at the Pantex Plant had tied the CPIC process to decisions related to project development, staffing needs and site funding. Furthermore, we noted that the Chicago Office tracked annual IT spending and utilized its investment portfolio to assist in the request for necessary funds from the Office of Science. These are positive actions; however, additional effort is necessary. As such, we have made several recommendations that, if fully implemented, should help improve the Department's implementation of its CPIC process.

Near the end of our audit, we learned that the Department was considering modifying its CPIC process to remove management and operating (M&O) contractors from OMB reporting and other Federal data calls related to IT investments. The amount of funds dedicated to systems managed by M&O contractors is massive and represents a significant proportion of Department expenditures. As it moves forward with efforts to modify the CPIC process, the issues raised in this audit report may be relevant as decisions are made. Perhaps most importantly, management should ensure that an effective contractor assurance system is in place to monitor whether IT investments are managed in an efficient and cost-effective manner. In responding to our report, management stated that reporting for budget year 2012 will include M&O contractors. However, the OCIO is still considering this strategy for future reporting.

MANAGEMENT REACTION

Management concurred with the report's recommendations and disclosed that it had initiated actions to address issues identified in our report. In separate comments, NNSA concurred with the report's recommendations and provided its planned corrective actions. Management's comments are included in their entirety in Appendix 3.

Attachment

cc: Deputy Secretary
Under Secretary of Energy
Under Secretary for Science
Administrator, National Nuclear Security Administration
Chief of Staff
Chief Financial Officer
Acting Chief Information Officer

REPORT ON THE DEPARTMENT'S INFORMATION TECHNOLOGY CAPITAL PLANNING AND INVESTMENT CONTROL ACTIVITIES

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The Department's Information Technology Capital Planning and Investment Control Activities

Identification, Classification and Control over Information Technology Investments

The Department of Energy (Department) had not effectively managed its capital planning and investment control (CPIC) process. In particular, management tools established by the Office of Management and Budget (OMB) to enable the Department to select and control its information technology (IT) investments had not been properly implemented. Specifically, the Department was required to aggregate all of its IT-related spending into a comprehensive investment portfolio (OMB Exhibit 53) to aid in annual budget submissions and help identify duplicative investments. In addition, certain investments within the portfolio require an additional level of scrutiny and must be supported by capital asset plans (OMB Exhibit 300) that detail the cost, scope, and schedule of the investment. However, we found that the Department had not identified and/or had not properly classified all IT investments in its portfolio. Furthermore, 8 of 11 sites reviewed had not developed capital asset plans for major investments, where required.

Identification and Classification of IT Investments

Although development of a complete and accurate IT portfolio was required to help manage investments, the Department had either not identified or had misclassified investments in its comprehensive portfolio. In addition, sites visited had not consistently reported investments. Portfolios should be aligned with the Department's annual budget and are intended to be used as a management tool to ensure that investments selected for funding are not duplicated between program offices or sites, and that funding for initiatives is prioritized to meet the Department's mission goals.

Program offices and field sites had not identified all IT investments to ensure the accuracy and completeness of the Department's investment portfolio. Specifically, we found that 7 of 11 sites visited had not included all appropriate investments in the Department's IT portfolio even though they were IT resources. OMB Circular A-11, Section 53, states that IT investments include equipment used by an agency or contractor to perform a service or furnish a product¹. However, sites disclosed that they did not include items such as embedded computers, closed network systems, or specialized

¹ OMB Circular A-11, Section 53, states that Information Technology means any equipment or interconnected system or system of equipment used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information.

equipment, such as computers used to operate drill presses or microscopes in the investment portfolio. While we attempted to determine the overall dollar amount not reported, programs and sites reviewed were unable to provide information on the unreported investments and the anticipated expenditures for each. We previously reported on similar situations in our reports on the *Management of National Nuclear Security Administration's Classified Enterprise Secure Network Project* (DOE/IG-0823, September 2009) and the *NNSA's Product Realization Integrated Digital Enterprise (PRIDE) Initiative* (DOE/IG-0836, July 2010).

Numerous field sites also identified and reported various investments as mission-specific in the Department's portfolio even though they should have been classified as *Infrastructure, Office Automation and Telecommunications (IOA&T)*, as required by OMB. Specifically, we identified 228 individual investments with an expected annual cost for budget year 2011 of approximately \$190 million that should have been reported as IOA&T. For example, the Los Alamos and Sandia National Laboratories and Fermilab (Fermi) all classified at least a portion of their desktop computers as mission investments rather than IOA&T. OMB defines IOA&T as those investments supporting common user systems, communications, and computing infrastructure, including desktops, laptops, printers, telephones, servers, software, and network operations centers.

In contrast, one site inappropriately reported investments as IOA&T rather than mission-specific. In particular, Fermi had included mission systems in the IOA&T section of the portfolio, limiting the site's ability to identify and control its mission-specific IT costs. Specifically, we noted more than \$2 million in business system investments at Fermi that were not appropriately classified as direct mission for budget year 2011. As these systems support a specific facet of the Laboratory's mission, they should have been categorized as mission-specific.

As a result of these misclassifications, sites may have overstated the amount of funding needed to support mission activities while at the same time understating their infrastructure-related costs. Proper classification of investment information in the IT portfolio could have allowed the Department to exercise better control over existing investments and identify areas of potential duplication between existing and

planned investments. We noted that OMB's most recent guidance, which was issued following the completion of our field work, allows dedicated infrastructure investments to be reported as part of the mission area they support. Based on our findings, field sites should review their individual portfolios to ensure they are only reporting dedicated infrastructure as mission investments and properly reporting shared infrastructure as IOA&T.

Furthermore, site-level portfolios were not developed consistently among sites and programs, making it impossible to compare IT spending activities between organizations. For example, while Fermi, an Office of Science (Science) site, reported IT spending by functional area such as system administration, Argonne National Laboratory (Argonne), another Science site, grouped its investments by division. In addition, the East Tennessee Technology Park's site level portfolio reported only labor, but excluded all material and other investment-related costs. Although the Department's CPIC guidance noted that the portfolio should be utilized to minimize duplication, Department officials were unable to utilize the portfolio for this purpose due to the widely varying selection and reporting processes used by programs and sites. In commenting on our preliminary draft report, National Nuclear Security Administration (NNSA) officials remarked that this disparity between sites was also evident during the CPIC training recently provided by the Department.

Control over Major IT Investments

The Department had not ensured that all major investments were supported by capital asset plans. As part of the CPIC process, major IT investments selected for funding must have capital asset plans that provide information related to overall cost, schedule, and performance data. The plans are intended to ensure that major Department initiatives are implemented in a disciplined, well-managed, and consistent manner. Stressing the need for such plans, OMB recently stated that Federal IT projects too often cost more than they should, take longer than necessary to deploy, and deliver solutions that do not meet business needs.

OMB requires that high value IT investments are subject to increased oversight because of their significant cost and potential risk to the government. As such, the Department considers any IT investment that exceeds \$5 million over a

three-year period as a major investment. In addition, OMB requires that certain financial systems also be considered major investments. Therefore, specific detailed information regarding these types of investments must be included in a capital asset plan. However, we found that:

- Several large investments were divided into segments, thereby circumventing the requirement that they be reported as major investments supported by capital asset plans. For example, Argonne reported its Advanced Photon Source Division as six separate segments in the site portfolio even though the overall IT expenditures for 3 years totaled over \$20 million and, as a result, should have been subject to more rigorous reporting requirements. In contrast, we noted that another Argonne division, the Leadership Computing Facility, also had expenditures over \$20 million, but had developed a capital asset plan for its investments. We also found that Fermi separately reported 4 elements of its Collider Detector Program and 14 components of its United States Compact Muon Solenoid Program. As with the Advanced Photon Source, the costs for each of the individual elements fell under the Department's threshold, but when combined, the investments had three-year costs in excess of \$5 million and \$17 million, respectively.
- Only one of eight Management and Operating (M&O) contractors reviewed had identified financial management systems as major investments. OMB defined financial management systems as those that support budget, cost, and management functions and directed that a system which is "for financial management and obligates more than \$500,000 annually" be reported as major investments. While we noted that all eight M&O contractors reviewed received and processed in excess of \$500,000 from the Department each year, only the Y-12 National Security Complex had developed a capital asset plan for its financial system, as appropriate. As a result, the Department may not have been able to effectively monitor ongoing development and maintenance for the remaining contractor financial systems – activities which OMB recently noted have, across agencies, consistently under performed in terms of cost, schedule and performance.

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- A capital asset plan for the Pantex Operations System Development and Integration project had not been submitted to the Department's Office of Chief Information Officer (OCIO) in a timely manner. Capital asset plans should be developed for major investments proposed for the budget year or later to enable officials to make informed decisions regarding whether the project should be funded and ensure that the proper level of planning was performed prior to the start of acquisition. However, the site had not provided a capital asset plan to the Department even though work began on the project in Fiscal Year 2009. At that time, site officials estimated the total cost of the project to be more than \$34 million. Therefore, the project met the Department's definition of a major investment and should have been treated as such at that time. As a result, the Department was unable to effectively monitor selection and development of the project. Recently, OMB noted in Memorandum 10-27 that if IT investments are not planned well, cost and schedule overruns occur and expected benefits are jeopardized. In addition, tracking the execution of plans can provide early warning of potential problems and enable timely and effective mitigation.

**Capital Planning
Direction and
Performance Monitoring**

The problems we identified with the Department's CPIC process were due, in part, to issues with the Department's policy and guidance. In addition, insufficient performance monitoring and review by program and site office officials contributed to an ineffective CPIC process.

Capital Planning Direction

Weaknesses in the Department's policy and guidance to help manage the CPIC process contributed to numerous problems with the identification of investments by field sites and impacted control over these investments. In particular, the OCIO issued guidance that was inconsistent with Federal requirements.

Rather than simply directing programs and sites to follow OMB guidance when implementing the CPIC process, the OCIO issued its own policy that was not always consistent with Federal direction. For example, the Department's Capital Planning Guide incorrectly defined financial management

systems as major only if they had estimated investment costs of \$500,000 or more in one year. However, OMB Circular A-11 directs that financial management systems are to be considered major investments if they process obligated funds in excess of \$500,000 annually. OCIO officials stated that this change had been approved by OMB; however, we found that the definition was only approved in support of the Department's Earned Value Management policy, not the CPIC process. Even though OCIO officials stated that the definition had been approved by OMB, its IT Reporting Guidance issued in September 2009 had not incorporated the Department's modified definition.

Additionally, while the Department's most recent reporting guidance provided a definition of what resources should be considered "information technology" investments and included in the IT investment portfolio, we determined that the majority of the Department's programs and sites reviewed had not adopted its use, nor had they developed a similar definition for their own use. Rather, the type of investments to be included in the portfolio was determined at the site level by the individuals responsible for reporting. We also found that several sites excluded IT items that they viewed as "tools of science" or specialized equipment even though Federal direction did not specifically exclude reporting of such items.

Performance Monitoring and Review

Insufficient performance monitoring and review of the IT investment portfolio by program and site office officials also contributed to the problems noted. Specifically, officials performed little or no validation of ongoing IT-related investment activities and information reported by the sites in the investment portfolio. In particular, program office officials stated that only a limited review of site-level investment portfolios was performed. While submissions were checked to ensure that all required information fields were complete and Unique Project Identifier codes were present, the quality or validity of the data was not evaluated. Periodic verification of site investment information could have potentially enabled program officials to uncover reporting anomalies, including field sites reporting incomplete or inconsistent information about their IT investments.

Furthermore, at five of eight M&O contractors visited, officials did not review the contractors' investment portfolios before they were sent to the program office for aggregation into the

Department's portfolio. In one case, a Federal official from Los Alamos commented that he had no authority under the provisions of the site's contract to review and direct changes to such information. In another instance, an official at Argonne noted that he was unaware of any reviews conducted by the site office to support the quality of the Laboratory's investment portfolio.

**Timely and Accurate
Management
Information**

As a result of the problems identified, IT capital planning activities may not provide Department senior management or other Federal officials with timely and accurate information essential for making informed decisions about investments that compete for limited resources. Although OMB had directed the use of a robust capital planning process across the Federal government, the issues we noted within the Department reduced this process to an annual compliance-based exercise. Proper reporting of all investments would have enabled accurate identification of critical funding needs, as well as investments that should have had funding curtailed due to poor performance or obsolescence. Continued failure in identifying all major investments and applying the required level of scrutiny increases the likelihood that investments will be mismanaged.

In addition, absent a complete and accurate portfolio, the Department could not ensure that its investments were managed on-schedule and within budget. Proper management of the CPIC process is vital for ensuring that the Department's annual \$2.2 billion investment in IT resources is utilized to achieve agency goals and objectives in a prudent and cost-effective manner. Our report on *The Management of the National Nuclear Security Administration's Classified Enterprise Secure Network Project* found that the project experienced cost and schedule delays, which could have been mitigated had the project been subject to a rigorous CPIC review process. Without improvements in policy and performance monitoring, the Department may continue to experience difficulties ensuring that IT investments are properly managed.

Information reported by the Department to OMB for use in compiling the President's annual budget and government-wide IT spending figures will also continue to be inaccurate. OMB relies on accurate reporting by agencies to substantiate its annual performance-based budget request. However, failure to

accurately capture and report all investments and costs undermines the validity of the Government-wide IT investment portfolio. In addition, inadequate reporting may hinder OMB's efforts to compare IT investments across agencies and ensure that increasingly scarce taxpayer dollars are invested appropriately. Furthermore, the Administration recently announced an upcoming review of all government IT projects to provide "relentless oversight" of the entire Federal IT portfolio, as well as assist in the termination of IT projects that are not effective, and focus more attention on the execution of those that are performing as designed. An effective CPIC process should aid in this effort and help ensure that the Department's investments are supporting its mission.

RECOMMENDATIONS

To help improve the Department's ability to effectively use the CPIC process to achieve agency goals and objectives, we recommend that the Administrator, National Nuclear Security Administration, the Under Secretary of Energy, and the Under Secretary for Science, in coordination with the Department and National Nuclear Security Administration Chief Information Officers:

1. Ensure that programs and field sites implement CPIC requirements set forth by OMB, as appropriate;
2. Enhance the level of oversight and review to ensure that accurate and complete IT investment information is reported and that the CPIC process is operating as intended and required, including conducting periodic validation of IT investments and reported information; and,
3. Review and modify existing investment portfolios, as appropriate, to ensure complete and consistent reporting of IT investments.

MANAGEMENT REACTION

Management concurred with each of the report's recommendations. Management added that it had initiated or completed actions designed to address weaknesses identified in our report. In particular, the OCIO disclosed that the information in the report will help it and program offices take the appropriate action to improve the Department's CPIC process. In separate comments, NNSA concurred with each of the report's recommendation. In addition, NNSA commented that it had completed the process of identifying all capital assets and IT spending to establish a baseline for the NNSA IT portfolio.

AUDITOR COMMENTS

Management's comments were responsive to our recommendations. Management's comments are included in their entirety in Appendix 3.

Appendix 1

OBJECTIVE To determine whether the Department of Energy (Department) was effectively managing capital planning and investment control process for information technology investments.

SCOPE The audit was performed between October 2008 and July 2010 at Department Headquarters in Washington, DC and Germantown, Maryland; the Oak Ridge Office, Oak Ridge National Laboratory, Y-12 National Security Complex, and the East Tennessee Technology Park, Oak Ridge, Tennessee; the Sandia National Laboratories and the National Nuclear Security Administration Service Center, Albuquerque, New Mexico; the Los Alamos National Laboratory, Los Alamos, New Mexico; the Pantex Plant, Amarillo, Texas; the Argonne National Laboratory and the Chicago Office, Argonne, Illinois; and, the Fermi National Accelerator Laboratory, Batavia, Illinois.

METHODOLOGY To accomplish our objective, we:

- Reviewed applicable laws and Department directives, including those pertaining to capital planning and investment control;
- Reviewed applicable guidance issued by Office of Management and Budget;
- Reviewed applicable guidance issued by the Office of the Chief Information Officer related to capital planning and investment control;
- Obtained documentation from and held discussions with officials from the Offices of Science, Environmental Management, Health, Safety and Security, and Chief Financial Officer, as well as the National Nuclear Security Administration; and,
- Reviewed prior reports by the Office of Inspector General and the Government Accountability Office.

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 finding and conclusions based on our audit.

Accordingly, we assessed significant internal controls and the Department's implementation of the *Government Performance and Results Act of 1993* and determined that it had established performance measures for management of its capital planning and investment control activities. Because our review was limited, it would not have necessarily disclosed all internal control deficiencies that may have existed at the time of our evaluation. We did not rely on computer-processed data to satisfy our objective.

Management waived an exit conference.

RELATED REPORTS

Office of Inspector General Reports

- *The Management of the National Nuclear Security Administration's Classified Enterprise Secure Network Project* (DOE/IG-0823, September 2009). The audit revealed that neither the planning nor execution of the Enterprise Secure Network (ESN) project had been effective. Furthermore, this process had led to a system which did not meet certain pre-established goals and objectives. These issues were attributable, in large part, to problems with planning and management of the ESN effort. Because of the lack of project management rigor, senior National Nuclear Security Administration (NNSA) management officials were deprived of the information necessary to ensure that the ESN initiative was properly planned and executed, apply generally recognized best practices, and to properly track project costs. Without general improvements in project management, future NNSA information technology projects, including these designed to enhance and upgrade ESN, may continue to experience delays and higher than necessary costs.
- *The Department's Development and Implementation of the Corporate Human Resource Information System* (OAS-L-06-14, May 2006). The Department of Energy's (Department) implementation of the Corporate Human Resource Information System (CHRIS) achieved many of its original defined requirements to automate human resource work processes, including enhancing operational efficiencies, reducing paperwork, and providing information necessary to help make sound human resource decisions. However, while the project satisfied many of its original goals, it did so at a cost significantly higher than anticipated. Specifically, actual costs to implement CHRIS equated to approximately 360 percent more than originally estimated. In addition, despite changes in project scope, costs, and timelines, management did not modify project documentation during development or reestablish project baselines. Without such analysis, management lacked the tools necessary to closely monitor project cost, schedule, and performance. The Office of Inspector General (OIG) further found that a required post-implementation review, that may have determined the causes of the cost overruns and helped the Department apply those lessons learned to other on-going efforts, had not been conducted.
- *The Department's Information Technology Capital Planning and Investment Control Process* (OAS-L-06-10, March 2006). The audit found that the Department had developed a number of controls designed to improve the management of its capital planning and investment control process. Specifically, the process for selecting, controlling, and evaluating information technology investments had been enhanced by requiring quarterly investment reviews; instituting the use of investment performance improvement plans; developing investment scoring schemes; and, publishing guidance for performing system post-implementation reviews. However, in certain instances, the OIG found that projects did not always conform to investment control requirements related to scoring, project manager certification, and validation of reported results. Furthermore, other factors that could limit the effectiveness of the investment control process were additionally observed.

Government Accountability Office Report

- *Federal Capital: Three Entities' Implementation of Capital Planning Principles is Mixed* (GAO-07-274, February 2007). This report revealed that the Government Accountability Office (GAO) found that in the selected entities, which included the Department's Offices of Science and Environmental Management, had mixed success with implementing the planning phase principles and practices described in the Office of Management and Budget's guide. GAO found that the selected entities' capital planning processes guidance generally requires a linkage between proposed investments and strategic goals and they assess needs and identify performance gaps in variety of ways, but the evaluation of alternatives are not always apparent in their capital planning documentation. Furthermore, although the entities each produced some long-term planning documents, none had developed a comprehensive capital plan that defines all of its long-term investment decisions. A comprehensive capital plan would help Congress make better-informed appropriations and oversight decisions.

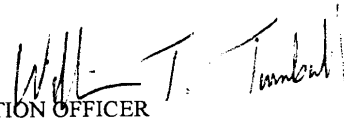


Department of Energy

Washington, DC 20585

September 17, 2010

MEMORANDUM FOR GREGORY H. FRIEDMAN
INSPECTOR GENERAL

FROM: WILLIAM T. TURNBULL 
ACTING CHIEF INFORMATION OFFICER

SUBJECT: IG Draft Report, Department's Information Technology Capital
Planning and Investment Control Activities (A09TG046)

Thank you for the opportunity to comment on this draft report. The DOE Office of the Inspector General (IG) provided a very thorough and concise review of the IT Capital Planning and Investment Control (CPIC) activities for the Department. In reviewing the draft we agree that most of the IG findings are reasonable and provide effective insight and recommendations to correct discrepancies and improve the management and oversight of DOE's IT portfolio. The information provided in the report will enable the Office of the Chief Information Officer (OCIO) and program offices to take appropriate follow-up action on specific findings.

With respect to the specific recommendations in the draft report:

Recommendation 1: That the Administrator, National Nuclear Security Administration (NNSA), the Under Secretary of Energy, and the Under Secretary for Science, in coordination with the Department and NNSA Chief Information Officers, ensure that programs and field sites implement CPIC requirements set forth by OMB, as appropriate.

Concur

The OCIO, in coordination with the offices of the Under Secretary of Energy, the Under Secretary for Science, and NNSA Administrator, will work with program offices to ensure that CPIC requirements are consistently implemented, as appropriate, through the Department within one year of the date of the report.

Recommendation 2: That the Administrator, National Nuclear Security Administration (NNSA), the Under Secretary of Energy, and the Under Secretary for Science, in coordination with the Department and NNSA Chief Information Officers, enhance the level of oversight and review to ensure that accurate and complete IT investment information is reported and that the CPIC process is operating as intended and required, including conducting periodic validation of IT investments and reported information.

Concur

The OCIO has implemented enhanced review processes at Headquarters. The OCIO, in coordination with the offices of the Under Secretary of Energy, the Under Secretary for Science,



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and NNSA Administrator, will work with program offices to ensure that processes are in place, augment existing processes, where appropriate, and that validation is performed to ensure complete and accurate IT reporting within one year of the date of the report.

Recommendation 3: That the Administrator, National Nuclear Security Administration (NNSA), the Under Secretary of Energy, and the Under Secretary for Science, in coordination with the Department and NNSA Chief Information Officers, review and modify existing investment portfolios, as appropriate, to ensure complete and consistent reporting of IT investments.

Concur

Many of the programs have already begun the process of reviewing their IT portfolios. The OCIO, in coordination with the offices of the Under Secretary of Energy, the Under Secretary for Science, and NNSA Administrator, will work with program offices to ensure that a process is implemented by each program within one year of the date of the report to conduct on-going reviews of their portfolios.

If you need additional information, please contact TheAnne Gordon, Associate CIO for IT Planning, Architecture & E-Government at (202) 586-3705. Technical comments as well as a specific action plan from the Office of Science are provided as attachments.

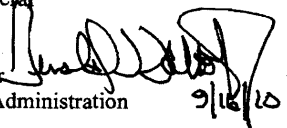
Attachments



Department of Energy
National Nuclear Security Administration
Washington, DC 20585



MEMORANDUM FOR: George W. Collard
Assistant Inspector General
for National Security and Energy Audits
Office of Inspector General

FROM: Gerald L. Talbot, Jr. 
Associate Administrator
for Management and Administration 9/16/10

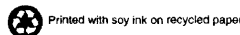
SUBJECT: Comments to the IG's Draft Report on the Department's
Capital Planning, Project No. A09TG046;
IDRMS No. 2008-03204

The National Nuclear Security Administration (NNSA) appreciates the opportunity to review the Inspector General's (IG) draft report, *The Department's Information Technology Capital Planning and Investment Control Activities*. We understand that this audit was conducted to determine whether the Department was effectively managing its Capital Planning & Investment Control (CPIC) process for Information Technology (IT) investments.

The IG auditors concluded that the Department had not effectively implemented a CPIC process for controlling and managing IT spending. Specifically, management tools required by OMB, such as IT investment portfolios and capital asset plans, which enable the Department to select and controls its IT investments, had not been properly implemented. These issues, in part, were due to problems with the Department's policy and guidance.

NNSA Office of the Chief Information Officer was a major participant in the audit of the Department's Capital Planning & Investment Control processes and procedures. While this audit was in progress, NNSA OCIO was in the process of identifying all NNSA Capital Assets (EX53) in addition to IT spending via the Supply Chain Management Center to establish a baseline for the NNSA information technology portfolio. At the conclusion of this exercise, the NNSA OCIO identified approximately \$1.5B in total annual IT spending for both Federal and Contractors, as well as completed an analysis to recommend a more effective dollar threshold for its major IT investments of \$20M for Mission investments and \$30M for Infrastructure investments, based on the high cost and high visibility of its programs and projects.

Additionally, in an effort to compliment the CPIC requirements levied by Office of Management and Budget and the guidelines interpreted and implemented by Department of Energy, NNSA authored the Project Execution Model (PEM) to govern the acquisition of major IT assets. The PEM establishes a framework and context for managing a major project to acquire an asset within the NNSA. It provides a formal, repeatable approach for ensuring that an IT project delivers the desired results with respect to quality, cost, and schedule expectations; and that the



acquisition complies with applicable regulatory requirements. The draft PEM is being used by both Y-12 and Pantex to guide their current major acquisition projects. The PEM accompanied with the Department's Capital Programming Guide enables the NNSA to respond to the IG's draft recommendations to have increased insight and oversight of IT projects at the Critical Decision (CD/0) phase, before a project has received funding.

On August 26, 2010, the DOE CIO raised the Department threshold to \$25 million (Prior Year/PY, Current Year/CY, & Budget Year/BY) beginning with the BY 2012 IT reporting cycle. The DOE CIO believes this decision is in alignment with the overall approach the Secretary has laid out for IT oversight and reporting and will enable DOE to provide the appropriate level of information on IT investments to OMB and the public. This change in the DOE IT Capital Planning process will be documented in the next update of the DOE CPIC guide and in all future IT guidance from the DOE CIO.

NNSA generally agrees with the report and recommendations. With the issuance of the PEM, by the end of the calendar year, all recommendations will be closed.

If you have any questions, please contact JoAnne Parker, Director, Office of Internal Controls at 202-586-1913.

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
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