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Department of Energy

Contract & Project Management Root Cause Analysis and Corrective Action Plan (RCA/CAP)

22 July 2008

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RCA - WHY?

Deputy Secretary Direction:

- Committed to continuously improve contract and project management; **Rebuild our Credibility.**
- “I would much rather give the taxpayers’ hard-earned dollars to an agency that is beginning to understand and respond to project management.”

(Member of HEWD, Secretary Bodman’s Hearing, February 28th, 2008)



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RCA - WHY?

Congressional Direction:

- **“The Committee directs the Department to work with GAO and develop an action plan with concrete steps and schedule milestones whose implementation will result in DOE contract and project management being removed from the GAO High-Risk List as soon as possible.”**

(HEWD Appropriations Report, June 11, 2007)



Why are we on “The List”?

- Since 1990, DOE’s Record Of:
 - Inadequate Management
 - Inadequate Oversight of Contractors
 - Failure to hold contractors accountable



High-Risk List: Department of Energy Contract Management

Criteria Agencies Must Meet Before High-Risk Designations Can Be Removed	DOE Has	
	Met Criteria	Not Yet Met Criteria
Demonstrate strong commitment and leadership	<input checked="" type="checkbox"/>	
Demonstrate progress in implementing corrective measures	<input checked="" type="checkbox"/>	
Develop a corrective action plan that identifies root causes, effective solutions, and a near-term plan for implementing the solutions		<input checked="" type="checkbox"/>
Have the capacity (people and resources) to resolve the problems		<input checked="" type="checkbox"/>
Monitor and independently validate the effectiveness and sustainability of corrective measures		<input checked="" type="checkbox"/>



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RCA/CAP– Scope of Work

- **Identify contract and project management performance deficiencies / issues.**
- **Identify the underlying root causes contributing to the specific issues.**
- **Identify specific corrective measures, metrics, and milestones addressing the root causes.**

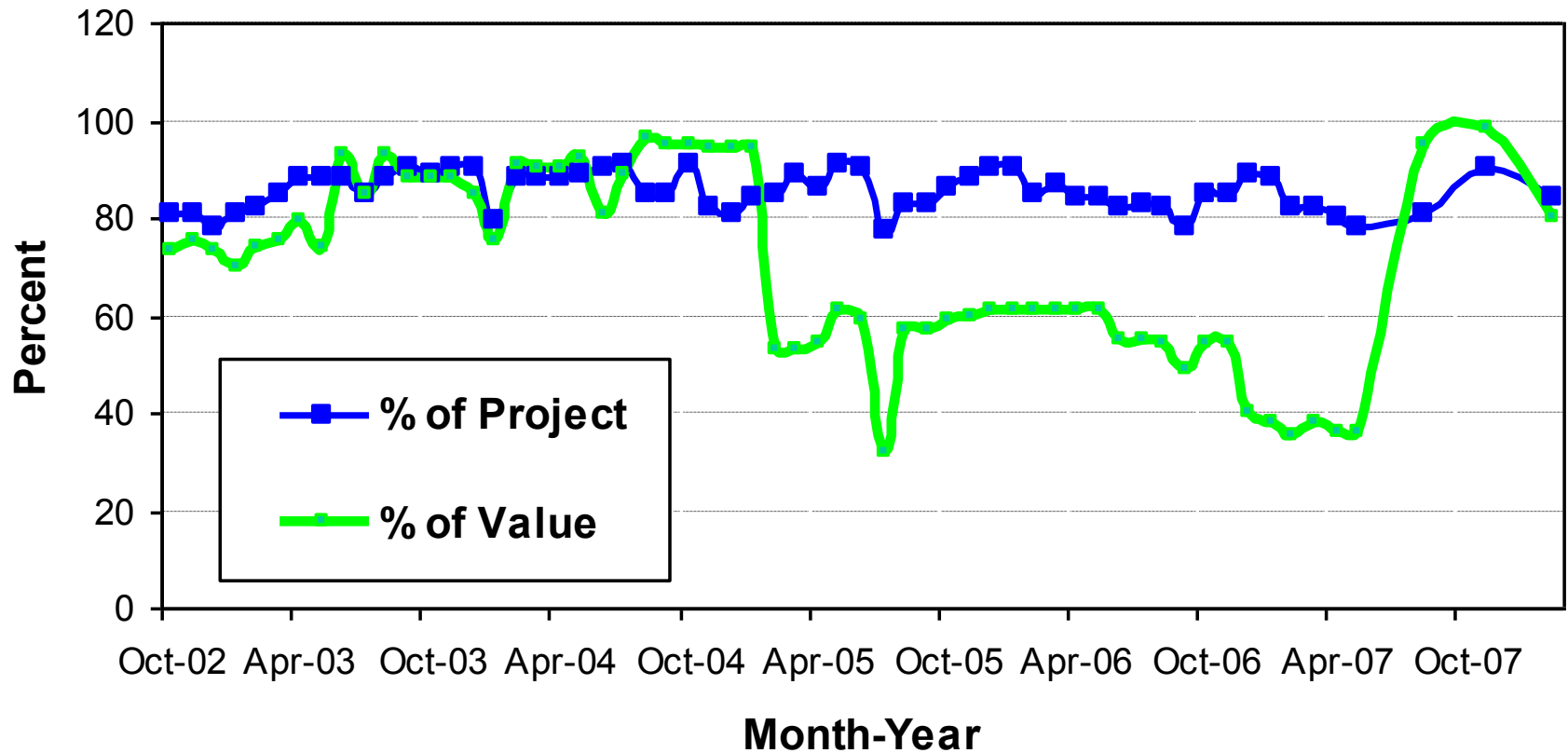


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Project Performance Metrics

Capital Asset Portfolio Performance

Percentage of Projects and Dollar Value in Acceptable Range at Current Project Baseline





How Will We Define Success?

- **Project Success: (For Capital Asset Projects)**
 - Project completed within the **ORIGINAL** approved scope baseline, and within 10% of the **ORIGINAL** approved cost baseline at project completion (Critical Decision-4), unless otherwise impacted by a directed change.
- **Portfolio Success:**
 - Ninety percent (90%) of all projects meet project success criteria.



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LINE ITEM METRIC

Table B-1 – Overall Contract and Project Management Performance Metrics and Targets					
Contract/Project Management Performance Metrics	FY 2008	FY 2009 Target	FY 2010 Target	FY 2011 Target	FY 2012 Target
<p>Capital Asset Line Item Projects: Capital asset line item projects will be completed at Critical Decision 4 within the original scope baseline and within 10 percent of the original approved cost baseline (Critical Decision 2), unless otherwise impacted by a directed change. Baselines impacted by a directed change will have adjusted baselines established. On a program portfolio basis, 90 percent of DOE line item projects will meet the project success definition benchmark.</p>	75% ¹	80%	85%	90%	-



- **Project Success: (For EM Clean-Up Projects)**
 - Project completed by achieving at least 80% of **ORIGINAL** near-term baseline end-state scope and with less than a 25% cost variance from the **ORIGINAL** approved baseline, unless impacted by a directed change.
- **Portfolio Success:**
 - Ninety percent (90%) of all projects meet project success criteria.



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CLEAN UP METRIC

Table B-1 – Overall Contract and Project Management Performance Metrics and Targets

Contract/Project Management Performance Metrics	FY 2008	FY 2009 Target	FY 2010 Target	FY 2011 Target	FY 2012 Target
<p>EM Cleanup (Soil and Groundwater Remediation, D&D, and Waste Treatment and Disposal) Projects: EM cleanup projects will be completed by achieving at least 80 percent of the defined near-term baseline end-state scope (Critical Decision 2) with less than a 25 percent cost variance from the original approved baseline, unless impacted by a directed change. On a program portfolio basis, 90 percent of EM cleanup projects will meet the project success definition benchmark.¹</p>	Establish Baseline ⁴	Establish Baseline ⁴	70% ²	80%	90%



Project and Contract Management Root Cause Analysis – Top 10 Issues

- **Do not complete front-end planning to an appropriate level before establishing project baselines.**
- **Do not have an adequate number of federal contracting and project personnel with the appropriate skill to plan, direct, and oversee project execution.**
- **Risks associated with projects are not objectively identified, assessed, communicated and managed through all phases of planning and execution.**



Project and Contract Management Root Cause Analysis – Top 10 Issues

- **Failure to request and obtain full funding or planned incremental funding results in increased risk of project failure.**
- **Contracts for projects are often awarded prior to the development of an adequate, independent government estimate.**
- **Acquisition strategies and acquisition plans are often ineffective, and not developed and driven by FED personnel ...Do not begin acquisition planning early enough in the process or devote the time and resources to do it well.**



- **DOE's organizational structure is not optimized for managing projects.**
- **Project Management (PM) requirements are not consistently followed.**
- **Ineffective project oversight has sometimes resulted in failure to identify project performance issues in a timely manner.**
- **Do not effectively execute ownership role on some large projects with respect to the oversight and management of contracts and contractors.**



- **Improve Project Front-end Planning**
 - Project Definition Rating Index (PDRI), Technical Readiness Levels (TRL), program vs project criteria, certified FPD at CD-1
- **Enhance Federal Project and Contract Mgmt Workforce**
 - Benchmark other agencies, staffing study, resource plan, training and certification FPD's and KO's
- **Improve Project Risk Assessment, Communication, and Management**
 - Complete projects below TPC, MR/Contingency protocols, develop Dept wide protocols



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Project and Contract Management

CAP - 8 Corrective Measures

- **Align and Integrate Budget Profiles and Project Cost Baselines**
 - Institutionalize IGE's (CF-70), Front-end Loading, CR mitigation, full funding policy, programmatic affordability
- **Improve Independent Govt Cost Estimates**
 - Develop DOE Cost Estimating Order and Manual, develop historical data base, training, escalation rate policy.
- **Improve Acquisition Strategies and Plans**
 - Integrate project and contract alignment, Privity, Benchmark Staffing, Strategies and Plans with other agencies



- **Improve Project Oversight and Mgmt**
 - Benchmark Org structures, Roles and responsibilities; PARS 2, Standardize EIR's, Project Performance Metrics, EVMS Utilization
- **Improve Adherence to Project Mgmt Requirements**
 - Update DOE 413.3A, Ownership and Accountability, Procedures/Metrics to Document Compliance.



EVMS METRICS

Table B-1 – Overall Contract and Project Management Performance Metrics and Targets

Contract/Project Management Performance Metrics	FY 2008	FY 2009 Target	FY 2010 Target	FY 2011 Target	FY 2012 Target
Certified EVM Systems: For projects post CD-3, by the end of FY 2011 and FY 2012, 95% of cost reimbursable capital asset line item projects (greater than \$20 million) and cost reimbursable EM cleanup projects, respectively, use certified EVM systems. ¹	65% Line Item	85% Line Item	90% Line Item	95% Line Item	-
	55% EM	65% EM	75% EM	85% EM	95% EM



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Final Thoughts

- **Partnership**
- **Many Other Metrics**
- **Aggressive Schedule**
- **Leadership Attention**
- **Continuous Improvement is a Journey...not a Destination.**



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Questions/Comments