



## Department of Energy

Washington, DC 20585

December 27, 2000

The Honorable John W. Warner  
Chairman, Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

As required by Section 3176 of the FY 2000 National Defense Authorization Act, the Department is transmitting a status report on the Project Management Oversight (PMO) pilot effort.

In a letter dated September 1, 2000 the Department informed you that the selection process for both Project Management Oversight (PMO) contracts was complete. At that time, however, it was too early in the process to provide you with an update on the status of using PMO contractors, and too early to make any recommendation on the feasibility of using the PMO services.

Although it is still too early in the process to provide an in-depth analysis, our initial evaluation of using O'Brien Kreitzberg (which is now a part of the URS Corporation) at Lawrence Livermore National Laboratory, and Logistics Management Institute (LMI) and Hill International at the Savannah River Site as on-site PMO contractors, is positive. The PMO contractors are staffed with personnel who collectively have over 100 man-years of commercial project management expertise. In addition to the on-site support, the contract includes the ability to provide more assistance in any given area upon our request.

The PMO contractor at Lawrence Livermore National Laboratory reports directly to the National Ignition Facility (NIF) Federal Project Manager and is engaged with the staff on a day-to-day basis involving project controls systems, project reporting, quality assurance/quality control systems, and safety.

Similarly, the initial focus of the PMO contractor at Savannah River Site has been to assist the federal program and project management and project staff with the manner in which they remain engaged with the projects from start to finish. PMO contract support at Savannah River includes assistance with the implementation of Integrated Project Teams and with the identification, assessment, quantification and management of risk of several environmental management projects.



The Department would like to consider the use of PMO contracts for high-risk projects, projects of shorter duration, and projects where it is difficult to recruit and retain experienced project management personnel. A foreseeable obstacle to future use of the PMO model, however, is the funding issue described in the report.

The attached report provides more details on our evaluation, sources of obstacles and future considerations. The Department will also continue the dialog related to this approach with the Office of Management and Budget and Congressional staff.

Sincerely,

A handwritten signature in black ink that reads "Michael L. Telson". The signature is written in a cursive, flowing style.

Michael L. Telson  
Chief Financial Officer

cc: The Honorable Peter J. Visclosky  
Ranking Minority Member



## Department of Energy

Washington, DC 20585

December 27, 2000

The Honorable Ron Packard  
Chairman, Subcommittee on Energy and  
Water Development  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 3176 of the FY 2000 National Defense Authorization Act, the Department is transmitting a status report on the Project Management Oversight (PMO) pilot effort.

In a letter dated September 1, 2000 the Department informed you that the selection process for both Project Management Oversight (PMO) contracts was complete. At that time, however, it was too early in the process to provide you with an update on the status of using PMO contractors, and too early to make any recommendation on the feasibility of using the PMO services.

Although it is still too early in the process to provide an in-depth analysis, our initial evaluation of using O'Brien Kreitzberg (which is now a part of the URS Corporation) at Lawrence Livermore National Laboratory, and Logistics Management Institute (LMI) and Hill International at the Savannah River Site as on-site PMO contractors, is positive. The PMO contractors are staffed with personnel who collectively have over 100 man-years of commercial project management expertise. In addition to the on-site support, the contract includes the ability to provide more assistance in any given area upon our request.

The PMO contractor at Lawrence Livermore National Laboratory reports directly to the National Ignition Facility (NIF) Federal Project Manager and is engaged with the staff on a day-to-day basis involving project controls systems, project reporting, quality assurance/quality control systems, and safety.

Similarly, the initial focus of the PMO contractor at Savannah River Site has been to assist the federal program and project management and project staff with the manner in which they remain engaged with the projects from start to finish. PMO contract support at Savannah River includes assistance with the implementation of Integrated Project Teams and with the identification, assessment, quantification and management of risk of several environmental management projects.

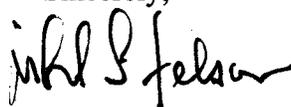


Printed with soy ink on recycled paper

The Department would like to consider the use of PMO contracts for high-risk projects, projects of shorter duration, and projects where it is difficult to recruit and retain experienced project management personnel. A foreseeable obstacle to future use of the PMO model, however, is the funding issue described in the report.

The attached report provides more details on our evaluation, sources of obstacles and future considerations. The Department will also continue the dialog related to this approach with the Office of Management and Budget and Congressional staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Telson". The signature is fluid and cursive, with the first name "Michael" and last name "Telson" clearly distinguishable.

Michael L. Telson  
Chief Financial Officer

cc: The Honorable Carl Levin  
Ranking Minority Member



## Department of Energy

Washington, DC 20585

December 27, 2000

The Honorable Floyd Spence  
Chairman, Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 3176 of the FY 2000 National Defense Authorization Act, the Department is transmitting a status report on the Project Management Oversight (PMO) pilot effort.

In a letter dated September 1, 2000 the Department informed you that the selection process for both Project Management Oversight (PMO) contracts was complete. At that time, however, it was too early in the process to provide you with an update on the status of using PMO contractors, and too early to make any recommendation on the feasibility of using the PMO services.

Although it is still too early in the process to provide an in-depth analysis, our initial evaluation of using O'Brien Kreitzberg (which is now a part of the URS Corporation) at Lawrence Livermore National Laboratory, and Logistics Management Institute (LMI) and Hill International at the Savannah River Site as on-site PMO contractors, is positive. The PMO contractors are staffed with personnel who collectively have over 100 man-years of commercial project management expertise. In addition to the on-site support, the contract includes the ability to provide more assistance in any given area upon our request.

The PMO contractor at Lawrence Livermore National Laboratory reports directly to the National Ignition Facility (NIF) Federal Project Manager and is engaged with the staff on a day-to-day basis involving project controls systems, project reporting, quality assurance/quality control systems, and safety.

Similarly, the initial focus of the PMO contractor at Savannah River Site has been to assist the federal program and project management and project staff with the manner in which they remain engaged with the projects from start to finish. PMO contract support at Savannah River includes assistance with the implementation of Integrated Project Teams and with the identification, assessment, quantification and management of risk of several environmental management projects.



The Department would like to consider the use of PMO contracts for high-risk projects, projects of shorter duration, and projects where it is difficult to recruit and retain experienced project management personnel. A foreseeable obstacle to future use of the PMO model, however, is the funding issue described in the report.

The attached report provides more details on our evaluation, sources of obstacles and future considerations. The Department will also continue the dialog related to this approach with the Office of Management and Budget and Congressional staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Telson". The signature is fluid and cursive, with the first name "Michael" and last name "Telson" clearly legible.

Michael L. Telson  
Chief Financial Officer

cc: The Honorable Ike Skelton  
Ranking Minority Member



## Department of Energy

Washington, DC 20585

December 27, 2000

The Honorable Pete V. Domenici  
Chairman, Subcommittee on Energy and  
Water Development  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

As required by Section 3176 of the FY 2000 National Defense Authorization Act, the Department is transmitting a status report on the Project Management Oversight (PMO) pilot effort.

In a letter dated September 1, 2000 the Department informed you that the selection process for both Project Management Oversight (PMO) contracts was complete. At that time, however, it was too early in the process to provide you with an update on the status of using PMO contractors, and too early to make any recommendation on the feasibility of using the PMO services.

Although it is still too early in the process to provide an in-depth analysis, our initial evaluation of using O'Brien Kreitzberg (which is now a part of the URS Corporation) at Lawrence Livermore National Laboratory, and Logistics Management Institute (LMI) and Hill International at the Savannah River Site as on-site PMO contractors, is positive. The PMO contractors are staffed with personnel who collectively have over 100 man-years of commercial project management expertise. In addition to the on-site support, the contract includes the ability to provide more assistance in any given area upon our request.

The PMO contractor at Lawrence Livermore National Laboratory reports directly to the National Ignition Facility (NIF) Federal Project Manager and is engaged with the staff on a day-to-day basis involving project controls systems, project reporting, quality assurance/quality control systems, and safety.

Similarly, the initial focus of the PMO contractor at Savannah River Site has been to assist the federal program and project management and project staff with the manner in which they remain engaged with the projects from start to finish. PMO contract support at Savannah River includes assistance with the implementation of Integrated Project Teams and with the identification, assessment, quantification and management of risk of several environmental management projects.



The Department would like to consider the use of PMO contracts for high-risk projects, projects of shorter duration, and projects where it is difficult to recruit and retain experienced project management personnel. A foreseeable obstacle to future use of the PMO model, however, is the funding issue described in the report.

The attached report provides more details on our evaluation, sources of obstacles and future considerations. The Department will also continue the dialog related to this approach with the Office of Management and Budget and Congressional staff.

Sincerely,

A handwritten signature in black ink, appearing to read "M. L. Telson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Michael L. Telson  
Chief Financial Officer

cc: The Honorable Harry Reid  
Ranking Minority Member



**U. S. Department of Energy  
Office of Chief Financial Officer  
Office of Engineering and Construction Management**

**Report to the Committees on  
Armed Services of the  
United States Senate and the  
United States House of Representatives**

**The U. S. Department of Energy's  
Assessment of the Feasibility and Desirability  
of Utilizing Project Management Oversight Services  
for Department of Energy Construction Projects**

**December 2000**

# **Project Management Oversight Pilot Project**

## **Introduction**

This report on the Project Management Oversight (PMO) pilot projects is provided as requested by Section 3176 of the FY 2000 National Defense Authorization Act.

The Department of Energy has instituted two pilot projects for Project Management Oversight (PMO) services. One PMO contract has been established at the Lawrence Livermore National Laboratory (LLNL) to support the National Ignition Facility (NIF) Project. Another PMO contract has been established at the Savannah River Site (SRS) to support several projects, including the Salt Processing project, the Am/Cm Vitrification project, the Pu Packaging and Stabilization project, and the Highly Enriched Uranium Blend Down project. In each case, the basic scope of the PMO contract is that the contractor provide expert project management oversight assistance to the Federal staff at the site level. It is intended that each PMO will provide expertise to the Federal staff in each of the areas stated in Section 3176.

The Office of Engineering and Construction Management (OECM) within the Office of the Chief Financial Officer has been integral to the development of these pilot projects. OECM worked with the appropriate National Nuclear Security Administration (NNSA) and Environmental Management staff to: a) develop the scope of work; b) select the sites; and c) perform the on-site assessment of each pilot PMO contractor for this report. As part of the development of these pilot projects, it was determined that the most benefit would be derived from having each on-site PMO report to the Federal project staff.

## **Lawrence Livermore National Laboratory**

The PMO contractor is on-site in office space provided by the NIF project office. The PMO on-site contractor, O'Brien Kreitzberg (which is now part of the URS Corporation) reports to the NIF Federal Project Manager (FPM), Scott Samuelson. The PMO is staffed with four on-site personnel, who collectively bring over 100 years of commercial project management expertise. The FPM, during the development of the statement of work for the PMO, called for expertise in the following focus areas: project controls systems, project reporting, quality assurance/quality control (QA/QC) systems, and safety.

Initial involvement of the PMO staff in these areas already corroborates that their expertise is value added. For example, the PMO's specialists in project controls and in QA/QC have participated in meetings and task committees, representing the FPM. LLNL, as the prime contractor for NIF, is currently endeavoring to install the Earned Value Management System (EVMS) as a primary cost and schedule project control system. The PMO's specialist in project controls has been engaged with the LLNL project staff in this significant effort. (Currently the project is comprised of over 34,000 discrete activities, each of which must be properly related to cost and schedule for that item.) Likewise, the PMO's QA/QC specialist has been engaged in the full spectrum of QA/QC issues, especially as they concern the various vendors whose products will be delivered and installed, when and how to provide quality assurance for these items. Any

failures of such items could present significant impacts to the project.

In addition to the PMO's resident staff expertise, the contract includes the ability to provide more in-depth assistance in any given area related to the project upon request from the FPM. For example, the FPM has tasked the PMO to perform a week-long assessment of the site safety program during January 2001. This assessment will assist NIF Field Project Management to identify and define safety-related improvements if appropriate.

### **Savannah River Site**

The PMO contractor is on-site in office space provided by the Savannah River Site Office. The PMO contractor is a team comprised of Logistics Management Institute (LMI) and Hill International. The on-site staff consists of a qualified project manager employed by Hill International, and he reports to the DOE Site Manager, Greg Rudy, and his deputy, Charlie Hansen. Savannah River structured their PMO to provide assistance related to commercial practices on several ongoing projects including the Salt Processing project, the Am/Cm Vitrification project, the Pu Packaging and Stabilization project, and the Highly Enriched Uranium Blend Down project.

Since the project managers at the SRS are assigned to the various program areas, the PMO is working with the SRS Site Manager's integration staff to help assess DOE and contractor functions related to project management. This includes periodic joint project reviews and also the functioning of the DOE Executive technical Management Board which provides ESAAB-type reviews of projects at the site level. The PMO has been evaluating the effectiveness of the DOE site staff actions and has initiated enhancements with senior site management to improve the quality of these project reviews, and the content of project status reports to DOE.

In addition, the early efforts of this PMO have been with the federal project staff, to assist them with the manner in which they remain engaged with the projects from start to finish. He is assisting with the implementation of Integrated Project Teams (IPTs) to perform acquisition planning as a precursor to initiation of each project. Additionally, he is assisting with the identification, assessment, quantification and management of risk, as risk is encountered with Savannah River's complicated environmental projects. Related to this, he is advising that an independent cost estimate (ICE), and more importantly, the reconciliation of the differences between the ICE and the government or contractor estimate, is an extremely valuable tool in identifying risk.

The most significant potential impact of the PMO is that he has direct access to senior site management and therefore is able to accelerate implementation actions for DOE Order 413.3. The Savannah River Site is aggressively moving to implement DOE Order 413.3, and in the view of the PMO, is advanced in its current degree of implementation. The schedule for full implementation across the Site and its projects is March 2001.

### **Conclusion**

It is important to recognize that the PMO staff does not present yet another review or

audit of the project. The PMO staff is intended to be a durable provider of project management expertise to the FPM. Additionally, if the present working relationship can be nurtured and maintained, the PMO staff can also provide valuable input to the contractors at LLNL and SRS through their participation in meetings, committees, etc.

Although this use of PMO contractors, through these two pilots, is not mature at this time, the initial evaluation of their usefulness and value added is most positive, as presented by the FPM at LLNL, and by the DOE Deputy Site Manager at SRS. It is recognized that it would be cumbersome for DOE as a federal entity to identify, recruit, select and hire senior, experienced commercial project management individuals. In fact, because of entry-level benefits (such as minimal leave accrual and absence of 401(k) type plans) within the Civil Service system, it is unlikely that DOE could attract such experienced personnel. The flip side of the advantage and ability to use the PMO format to bring in such experienced personnel is that the funding requirements are relatively high, to reflect the prevailing commercial rates for such services. On the other hand, such a model permits the Department to hire the expertise it needs only for the time needed.

The Department would like to consider use of PMO contracts in situations where it makes sense to do so. Examples would be complex, high-risk projects, projects of shorter duration, and projects in areas where it is difficult to recruit and retain experienced project management personnel. The main obstacle to implementation of the PMO model is the funding. If the DOE chooses to hire a PMO contractor to provide expertise such as through these two pilot projects, the cost (including both higher salaries and the prevailing commercial “multiplier” of about 3.0) becomes a significant budget consideration. The tradeoff for one PMO staff could approach the cost of three federal staff. The Department would like to further evaluate this aspect, along with the PMO concept itself, considering such funding impacts. The Department will continue the dialog related to this approach with both OMB staff and Committee staff.

Please direct any further discussion to the Office of Engineering and Construction Management, Jim Rispoli (202-586-5195), who has been the Department’s action officer for these pilot applications.