

FY 1998

ENERGY AND WATER APPROPRIATIONS - House Report 105-190

Independent Assessment of DOE Construction Projects and Project Management Systems -- The Department's track record for managing construction projects is not as successful as it could be. The General Accounting Office (GAO) believes that the high rate of cost overruns, schedule slippages, and terminations on major systems acquisitions can be traced to four key factors: constantly changing missions; incremental funding of projects; a flawed system of incentives that has often rewarded contractors despite poor performance; and difficulty in hiring, training, and retaining people with the requisite skills to provide effective oversight and management of contractor operations. The Committee also believes there is a lack of internal, independent oversight of projects at the Department. Projects are proposed by contractors and strongly defended by Federal employees who take on the role of program and project advocate rather than impartial overseer. There does not appear to be a strong independent assessment of projects within the internal Departmental system.

Thus, the Committee has directed the Corps of Engineers to review all Departmental construction projects funded in fiscal year 1998. The Committee has further directed that no funds be obligated for any new fiscal year 1998 construction projects until the cost, schedule, scope, and supporting data for each construction project has been validated by an independent assessment of the Corps of Engineers. The Committee will work with the Department and the Corps to prioritize the order in which the projects should be reviewed.

Independent Assessment of DOE Projects -- As noted in the introduction to Title III, the Committee has serious concerns about the Department's ability to manage construction projects and is equally concerned that there is a lack of strong internal, independent oversight of projects at the Department. The Committee has directed the Corps of Engineers to review all Departmental construction projects funded in fiscal year 1998. The Corps will review and assess the quality of the technical scopes, cost estimates, schedules, and supporting data, and make recommendations on the validity of the proposed scopes, costs, and schedules. If DOE's proposed approach is unreasonable, unjustified, or not integrated into the overall program activities, the Corps will recommend alternatives. Recommendations will be focused on those projects upon which net savings can be made. The Committee has included statutory language providing that no funds be obligated for any new fiscal year 1998 construction projects until the cost, schedule, and scope of each construction project has been validated by an independent assessment of the Corps of Engineers.

The Committee believes that the root cause of the Department's failure to manage projects is the lack of qualified Federal personnel to manage the contracts and the lack of internal project management systems supporting this critical contract oversight. As such, the Committee has provided funding for an independent assessment of the Department of Energy's project management systems and facility acquisition management processes by the Corps of Engineers working with private industry, if appropriate, and the National

Academy of Engineering. The evaluation should focus on the process and management structure that DOE uses to identify and meet the identified requirements of the users of the proposed facilities, and ultimately, deliver the facilities meeting these needs as cost effectively and timely as possible.

The Committee has also provided funding to the Corps of Engineers to complete the environmental management site assessments which were initiated in fiscal year 1997 at the request of the Department. The Committee expects the Corps to not just make recommendations for cost savings, but also to report back to the Committee on the success with which the Department is implementing these recommendations.

The Committee recommendation includes \$35,000,000 to be provided to the Corps of Engineers for this independent review of the Department's construction projects and project management system.

ENERGY AND WATER APPROPRIATIONS - Conference Report 105-271

Independent Assessment of DOE Projects –The conference agreement provides \$35,000,000 as proposed by the House to provide for external reviews of the Department's individual construction and privatization projects, and an external review of the Department's facility acquisition management process. The immediate concern of the conferees is a review of all Department of Energy construction projects initiated in fiscal year 1998, construction projects currently in the conceptual design phase, ongoing projects if recommended by the initial assessment required below, and projects proposed by the Department for privatization. These evaluations should include a review and assessment of the quality of the technical scopes, cost estimates, schedules, and supporting data regarding these construction projects, and should make recommendations on the validity of the proposed costs, scopes, and schedules.

While the House bill directed that these reviews be conducted by the Corps of Engineers, the conferees acknowledge that there may be other qualified, unbiased external organizations that could conduct this type of assessment. Therefore, prior to obligating any funds provided for review of these construction and privatization projects, the conferees expect the Department to contract with an impartial independent organization with expertise in the evaluation of government management and administrative functions, for a detailed analysis of the proposed independent assessment of construction projects.

This contract should produce a report to be submitted to the House and Senate Committees on Appropriations not later than December 31, 1997. The report should address the need for conducting independent assessments of the Department's proposed and ongoing construction projects and projects proposed for privatization, assess the proposed content of these reviews as outlined above, as well as recommend the appropriate entity(ies) (including, but not limited to, the Corps of Engineers) to conduct these reviews. The conferees expect this contract to be entered into as soon as possible, and expect the Department to consult with the Appropriations Committees regarding the selection of an independent organization to produce this report.

In addition to the report on the need for an independent assessment of the Department's construction projects, the conferees direct that the Department's overall management structure and process for identifying, managing, designing and constructing facilities also be reviewed by an impartial independent organization with expertise in the evaluation of government management and administrative functions. The report should be provided to the Committees on Appropriations by June 30, 1998. The process used by the Department and its contractors to identify project requirements, develop scopes of work, execute and manage design, prepare cost estimates, select contract types, and execute and manage construction must be examined. The review should assess the level of oversight and experience of field and headquarters Federal personnel involved in this process. The recommendations of the report should include an analysis of the effectiveness of this process, advantages, disadvantages, and recommended improvements with the ultimate goal of establishing an overall departmental process that has more control of the projects and reduces project cost growth and schedule slippages. This study should also include a review of large operating projects such as environmental projects which may or may not involve much construction, but should clearly be managed with the same principles and guidelines.