GAO’s Perspective on National Nuclear Security Administration and DOE Office of Environmental Management Programs

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Overview

• GAO—Our mission, history, and how our work is conducted
• GAO’s High-Risk List and DOE’s position on it
• Progress DOE has made and remaining challenges to be overcome
U.S. Government Accountability Office (GAO)
Who We Are and What We Do

- Investigative arm of Congress and in the Legislative Branch
- Located in Washington, D.C. and 12 field offices
- Over 3,100 employees headed by the Comptroller General of the United States (nominee)—Gene L. Dodaro
- Conducts unbiased, objective, and nonpartisan audits, investigations, and evaluations to improve efficiency, effectiveness, economy, and accountability of federal programs
GAO’s High-Risk List

• Since 1990, GAO has periodically reported on government operations it identifies as at high risk for fraud, waste, abuse, and mismanagement
• Supported by House Committee on Government Reform and Senate Committee on Homeland Security and Governmental Affairs
• GAO has made hundreds of recommendations to improve high-risk operations
• Focus on high-risk problems has contributed to the Congress enacting governmentwide reforms
DOE and the High-Risk List

- DOE’s contract administration and project management has been on GAO’s High-Risk List since 1990
- DOE is the largest non-Defense contracting agency in the federal government—spending 90 percent of its budget on contracts
- DOE’s record of inadequate management and oversight and failure to hold contractors accountable resulted in the high risk designation
- In 2009, GAO narrowed the scope of the high-risk area to focus on contract administration and project management in the Office of Environmental Management (EM) and the National Nuclear Security Administration (NNSA)
Criteria Agencies Must Meet Before High-Risk Designations Can Be Removed

- A demonstrated strong commitment and top leadership support to address the risks
- The capacity (that is, the people and other resources) to resolve the risks
- A corrective action plan that
  - defines the root causes,
  - identifies effective solutions, and
  - provides for substantially completing corrective measures near term, including but not limited to, steps necessary to implement solutions we recommended
- A program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures
- The ability to demonstrate progress in having implemented corrective measures

Progress Made Improving DOE’s Contract and Project Management

• 2008 Root Cause Analysis identified the top 10 issues to be resolved, including:
  • DOE often does not complete front-end planning to an appropriate level before establishing project performance baselines
  • DOE does not have an adequate number of federal contracting and project management personnel with the appropriate skills 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
  • DOE fails to request and obtain full funding or planned incremental funding for its projects
Progress Made Improving DOE’s Contract and Project Management (continued)

• In July 2008, DOE developed a corrective action plan that identified corrective measures for each issue identified in the root cause analysis, including:
  • Ensuring project requirements definition is accomplished before a project performance baseline is established
  • Developing and implementing a comprehensive federal staffing and resource plan
  • Establishing objective, uniform methods for assessing, communicating, and managing project risks
  • Improving the alignment and integration of cost baselines with budget funding profiles to account for federal budget fiscal realities and to ensure uninterrupted project execution
  • Implementation of these corrective measures are well underway
Improvements in the Office of Environmental Management

• Strengthened acquisition guidance
  • Information on the relative trade-offs between contract type and contract risk
  • Linkage between contract type and the work to be performed
• Certification of federal project directors
• EM integration of contract and project management under a deputy assistant secretary for acquisition and project management
• Taken steps to assess accuracy of cost and schedule data used to oversee contractor progress
Continuing Challenges That Hinder Performance

• Although progress is being made, several reports GAO has issued over the past two years highlight ongoing project management problems
• We reported in January 2010 that DOE has not had a policy that establishes standards for cost estimating for over a decade
• DOE’s guidance is outdated and incomplete, making it difficult for the department to oversee the development of high-quality estimates by its contractors
• Cost estimates for four projects we examined—including EM’s construction of the Salt Waste Processing Facility at the Savannah River Site and nuclear facility decontamination and decommissioning at the Y-12 National Security Complex—were not credible, well-documented, accurate, or comprehensive
Continuing Challenges That Hinder Performance (continued)

• In July 2010, we reported that one-third of EM’s projects being implemented using funds from the American Recovery and Reinvestment Act of 2009 were not meeting their cost and schedule targets for some of the same reasons that have plagued DOE in the past: technical, regulatory, safety, and contracting issues.

• Measuring the impact of Recovery Act funding on job creation and DOE’s cleanup goals has also been a challenge.
  • DOE has used three different methodologies to assess and report jobs created, which provide very different and potentially misleading pictures of jobs created.
  • It is not clear how cleanup work funded by the act will affect environmental risk, reduce DOE’s footprint, or reduce the costs of cleaning up the DOE complex over the long term.
Continuing Challenges That Hinder Performance (continued)

• At the individual site level, contract and project management problems continue to plague projects

• Our September 2009 report on the costs and risks of treating tank waste at Hanford showed that DOE lacked credible or comprehensive cost and schedule estimates for its preferred tank waste treatment strategy

• Similarly, our September 2010 report on tank waste cleanup at the Savannah River Site found that closing 22 non-compliant tanks is likely to cost $1.4 billion more and take longer than estimated in the December 2008 contract between DOE and Savannah River Remediation because DOE’s cost estimate was not accurate or comprehensive
Concluding Thoughts

- DOE’s removal from the High-Risk List requires meeting all five of GAO’s long-established criteria, including
  - DOE needs to commit sufficient people and resources to resolve its problems
  - DOE needs to monitor and independently validate the effectiveness and sustainability of its corrective actions
- DOE’s successful completion of projects on time and on budget as well as its demonstration that these improvements will be sustained will be critical to DOE’s eventual removal from the High-Risk List
Concluding Thoughts (continued)

• DOE’s goal to be removed from the High-Risk List, while laudable, should not be its primary focus
• Instead, DOE should concentrate on being responsible stewards of taxpayer funds by completing projects on time and on budget and by keeping the promises it has made to its stakeholders
• Once that is achieved, removal from GAO’s High-Risk List will follow