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Office of Engineering and
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Department of Energy

Root Cause Analysis Corrective Action Plan ISSUE #3: Strengthen Risk Management

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Presentation Outline

- Some Background
 - GAO High-Risk List
 - Root Cause Analysis and Corrective Action Plan
 - Issue Number THREE
- Things We Have Done: Risk Mitigation Efforts to Date
- Things to Consider



Why are we on “The List”?

- Since 1990, DOE’s record of:
 - Inadequate Management
 - Inadequate Oversight
 - Failure to Hold Contractors Accountable
 - Non-Compliance with Departmental Policies

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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Project and Portfolio Metrics

Project and Portfolio Success

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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Risk Management Guidance & RCA and CAP: ISSUE #3

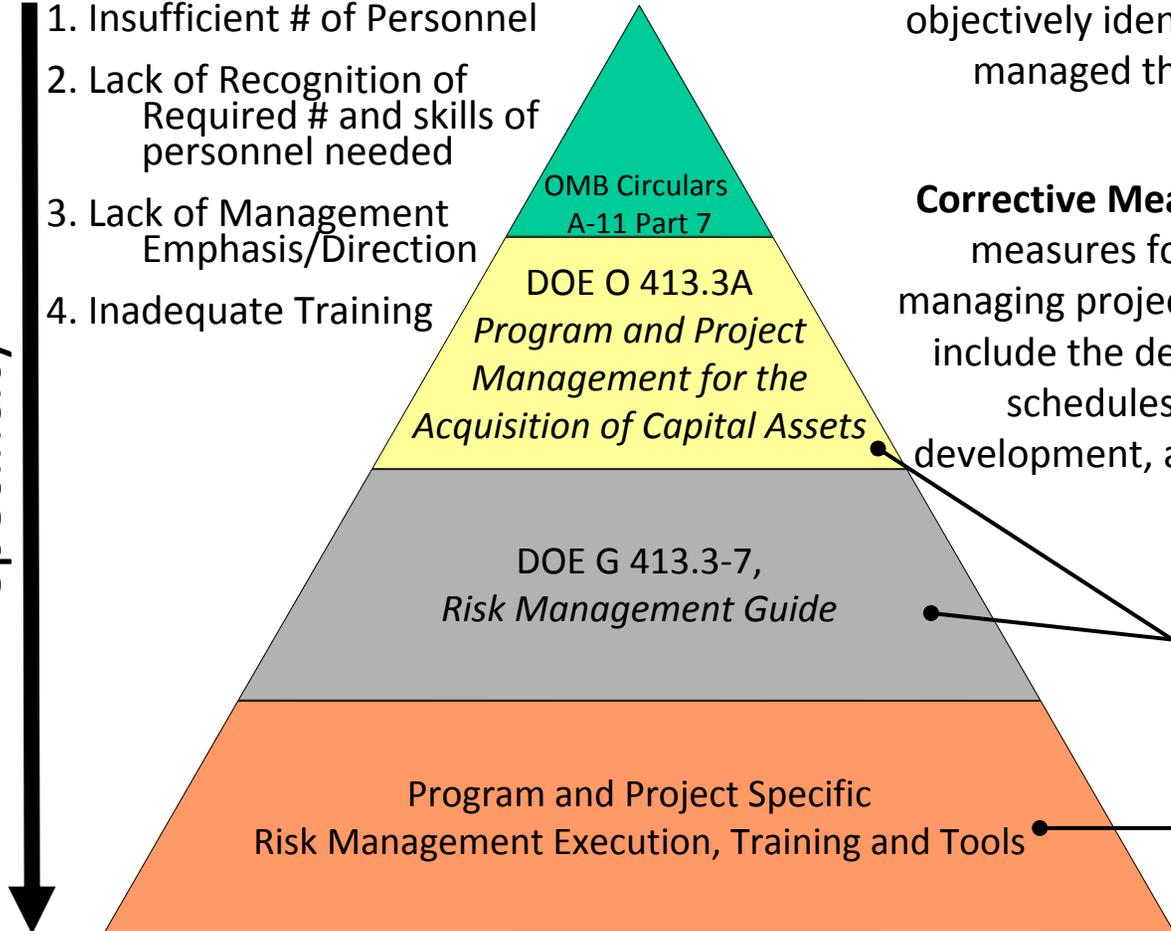
Root Causes:

1. Insufficient # of Personnel
2. Lack of Recognition of Required # and skills of personnel needed
3. Lack of Management Emphasis/Direction
4. Inadequate Training

Issue: Risks associated with projects are not objectively identified, assessed, communicated, and managed through all phases of planning and execution

Corrective Measure 3: Establish objective uniform measures for assessing, communicating, and managing project risks and uncertainties. This would include the development of realistic budgets and schedules, and the consistent definition, development, and use of management reserve and contingency.

Specificity



Risk Management Policy Changes

Risk Management Execution Changes

Metric: By the end of FY11, for all capital asset projects that are completed at CD-4, 50% are completed below their currently approved TPC with some contingency and/or management reserve remaining.



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CM#3: Department-Wide Accomplishments To Date

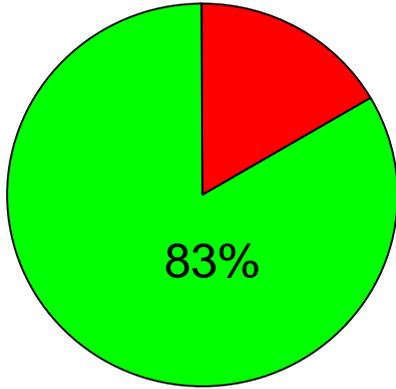
- 1. Completed Best Practices/Gap Analysis**
- 2. Risk Management Guide Completed**
- 3. Full Funding Policy Established**
- 4. Program versus Project Management
Recognition: Phasing (“Chunking”) of Work**
- 5. Enhanced Design Maturity**
 - 1. Technology Readiness Guide Published**
 - 2. Project Definition Rating Index Guide Underway**
- 6. Lessons Learned Systems in Development**
 - 1. Army Corps of Engineers “ProjNet”**
 - 2. DOE Corporate Lessons Learned System**



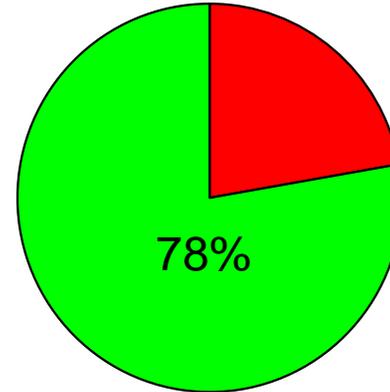
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Active Line Item Portfolio

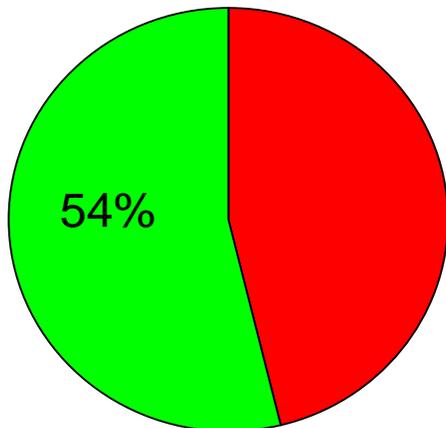
What's the Current Projection for Project Success?



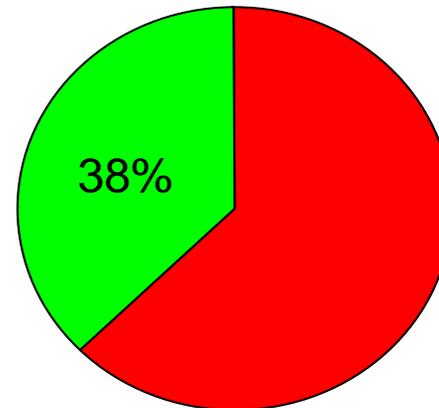
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\$50M - \$100M



\$100M - \$750M

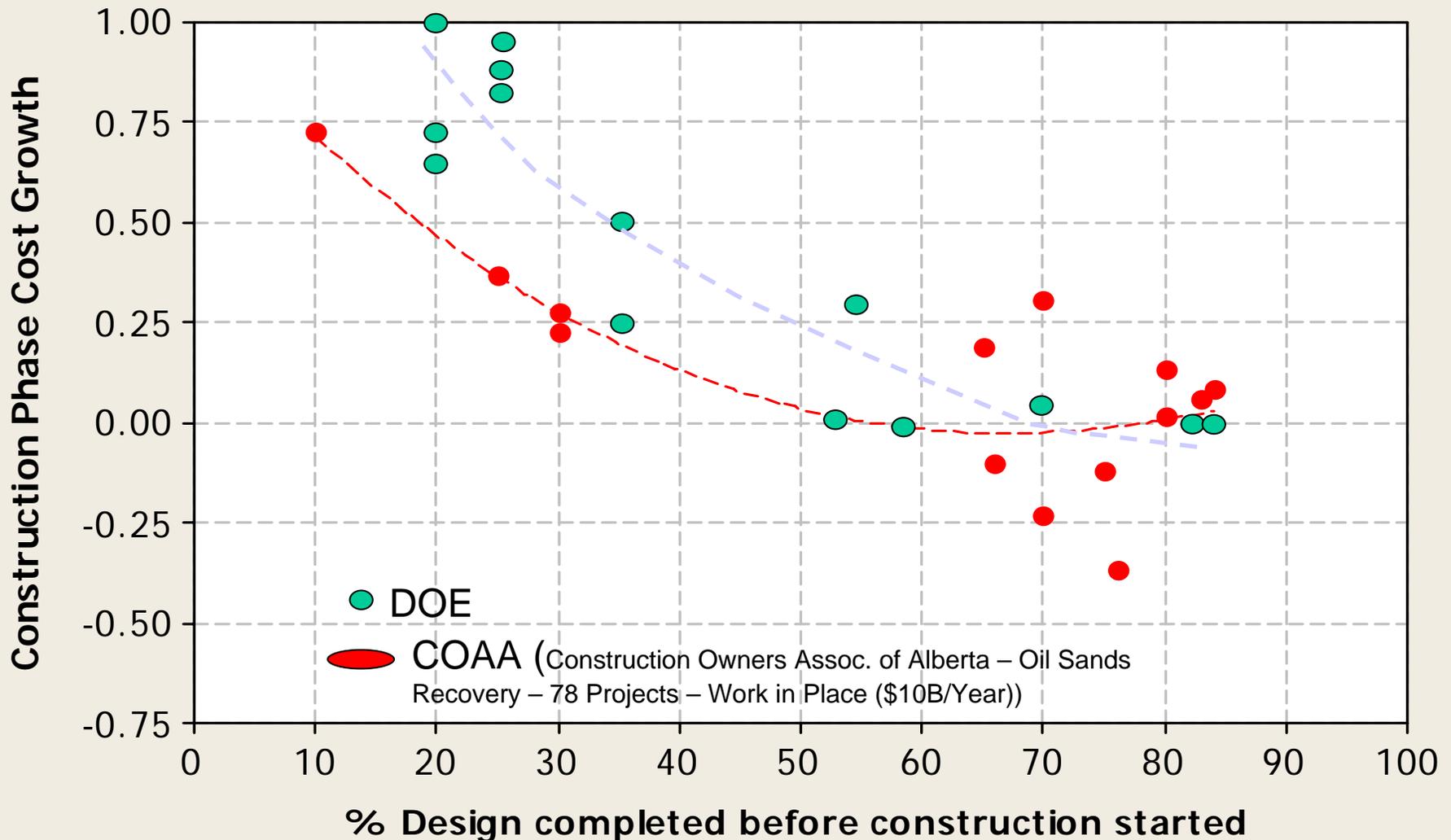


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Industry Benchmarking: Construction Design Maturity





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EM Clean-Up Projects: How to Reduce Risk

QUESTION: An EM Clean-Up Project Should be (CD-2) Base-lined After?

- 1. Waste Characterization**
- 2. Completion of a Remedial Action Plan**
- 3. Regulatory Agreements Have Been Finalized**
- 4. None of the Above**
- 5. All of the Above**



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CM#3: Things to Consider - Impending

- 1. Project Funding Profile Policy Imminent**
- 2. Program Peer Reviews Expanding**
 - **Continuous Assessment of Project Risk Management; A Steady Drum Beat**
- 3. ESAABS (EMAABs) and QPRs: Project Risk Management, Ensure a Consistent Agenda Topic**
- 4. Expand Use of Contract Risk Management Tools**
 - **Bid Options, Award Fee Element**
- 5. Personnel Performance Plans – Enhanced Accountability**
- 6. Standardize Protocols Relative to Contingency and Management Reserve**
- 7. Enhance Training – Initiate Web Based Platform₁**



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IMPENDING: Update of DOE Order 413.3A

- **Incorporate new requirements and management objectives resulting from each of the CAP Corrective Measure Teams, as applicable**
- **Refine the Purpose and Objective; include the new “Definitions of (Project) Success”**
- **Streamline Procedures for Small, Less Complex Projects and Baseline Change Proposals**
- **Clarify and Differentiate “Program Management” from “Project Management”**
- **Align New EM Clean-Up Project as “Capital Asset” Project**
- **Clarify Whether “Hot Commissioning” is Required for CD-4**
- **Codify “Paper ESAAB” Process**
- **Clarify Role of ESAAB Members**
- **And More...**



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QUESTIONS / COMMENTS