

Statement of Paul Bosco
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on
Department of Energy's Major System Construction Projects
before the
Subcommittee on Energy & Water Development
House Committee on Appropriations
March 20, 2013

Good morning Mr. Chairman, Ranking Member Kaptur and distinguished members of the Subcommittee. Thank you for having me here today to discuss the Department of Energy's management of our largest construction projects.

My name is Paul Bosco. I serve as the Department of Energy's Director of Acquisition and Project Management. I report to the Director of Management and serve as the Department's primary point of contact on all matters relating to project management and I serve as the Deputy's Secretariat on the Energy Systems Acquisition Advisory Board for all major systems projects. I am a registered professional engineer, a certified Project Management Professional and a member of the Project Management Institute's Global Executive Council. I have been with the Department for over six years. Previously, I served as a U.S. Navy Civil Engineer Corps Officer for nearly 28 years, most of that time overseeing construction projects. My last assignment was as the Operations Officer at the Headquarters of the Naval Facilities Engineering Command here in Washington.

Within the Department of Energy, among other things, I am responsible for project management policy, guidance and oversight. More specifically, I coordinate and oversee all of the Departmental project management directives, to include our project management Orders and Guides. In the context of oversight, my functions include: monitoring adherence to our project management directives; the maintenance of all

Departmental project management metrics; the execution of External Independent Project Reviews for our largest projects, including the conduct of Independent Cost Estimates and Reviews, as appropriate; and the publication of our (Red/Yellow/Green) monthly project status report for all active Department of Energy (DOE) projects. The report gets distributed to our senior leadership and our project dashboard is available to the public on the Department's website. Within this monthly report, we highlight our Red and Yellow projects, those that we believe will, or may, breach their current cost and/or schedule baselines, respectively. Our reports include, among other things, estimates to completion, if available, contingency dollars remaining, and a separate, independent assessment from one of our project analysts. With few exceptions, the analysts are professional engineers, project management professionals, have years of construction management experience, and many are cost engineers certified by the Association for the Advancement of Cost Engineering, International. I also serve as the Department of Energy's Senior Procurement Executive.

My intent this morning is to provide some project management background and historical context; update you on our recent progress, and on recent measures we have under taken to reform project management policy and guidance; highlight some metrics that demonstrate improvement, based on those reforms; and, in closing, I will outline areas that I believe may need additional attention going forward.

Since 1990, as I am sure many of you are aware, the Department of Energy has been on the GAO High-Risk List for contract and project management. At the turn of the century, numerous reports indicated that nearly half the time, the Department was unable to deliver projects within the original performance baseline – in terms of scope, cost and/or schedule. During the past several years, our senior leadership has focused their attention on this matter, committed to making improvements. The Department started and completed several initiatives to improve contract and project management, including a Root Cause Analysis and Corrective Action Plan completed in the summer of

2008; a Deputy Secretary Contract and Project Management Summit which was convened in 2010; and, numerous Deputy Secretary Policy directives, including most recently a December 2012 memorandum entitled, “Aligning Contract Incentives for Capital Asset Projects”, that reinforced greater accountability for all parties.

DOE is making progress. In May 2011, many of our project management reforms were codified when our updated Departmental Directive on “Program and Project Management for the Acquisition of Capital Assets”, DOE Order 413.3B, became effective. Our most significant enhancements include: A new Departmental “Project Success” standard and other project management metrics; improved project up-front planning with greater design maturity standards; a new project staffing model; new requirements for Independent Cost Estimates (ICE’s) and Independent Cost Reviews (ICR’s) at key Critical Decision points; a new and more robust Project Assessment and Reporting System (PARS); and, finally, periodic Project Peer Reviews Department-wide to better monitor project development, and project execution performance during the life of a project.

Organizationally, to improve alignment, the project management and contract management oversight offices at the Department: the Office of Engineering and Construction Management (OECM) and Office of Procurement and Assistance Management (OPAM), respectively, were merged to establish the Office of Acquisition and Project Management (OAPM). In May of 2012, I became the Director of this new organization. Similar consolidations were completed within NNSA and the Office of Environmental Management (EM) in FY 2011. Together we work collaboratively to address, implement and align the new contract and project management reforms. My colleagues from NNSA and EM are with me here today. The Department’s focus on contract and project management improvement will continue with the goal of consistent and sustainable project implementation and success. The policy, guidance and organizational framework are now in place.

So, how are we doing? Have these reforms had an impact? The answer is “yes.” Perhaps most telling is our most recent project success metrics. To help tell the story, we segregated all recently completed construction projects, over the past three years, into two groups. Group A includes all those construction projects started and baselined before (FY) 2008. Group B included those construction projects that had their cost and schedule baselines established during FY08 and beyond. Group A had a 78% success rate; Group B had a 96% success rate. The reforms are working. The most recent GAO High Risk List Updates also bear that out. In 2009, only NNSA and EM were included on the list. Most recently, GAO narrowed their focus further to NNSA and EM major contracts and projects, with values of \$750 million or greater. I concur with GAO’s update. We are doing better, but we have more to do.

DOE’s largest, most complex construction projects have been our greatest challenge. All of them were baselined and started before we initiated any of our new project management reforms, with one exception, a Science Project, the “National Synchrotron Light Source – II” (NSLS-II) at Brookhaven National Lab. It was baselined in January 2008, at \$912 million. I am pleased to report that project is still being successfully executed, on budget and schedule. Our other active major projects, namely, the Waste Treatment Plant, the Mixed Oxide Fuel Fabrication Facility and the Salt Waste Processing Facility have had, and continue to have, challenges.

As DOE works with our contractors to identify the most economical and timely path for these projects, we will incorporate our latest project management reforms.

We must continue to work towards improving project execution on our largest, most complex projects.

In conclusion, going forward there are at least two areas that will garner my personal

attention and may require additional reform. I group those under two headings: 1) People and 2) Project Change Control.

People are our greatest asset. They are the greatest determinant of project success. We need the appropriate number and skill-set mix of Federal employees and staff support on each and every project to ensure the right balance of management and oversight throughout the entire life cycle of each project. Getting the right number of staff with the requisite skills, properly aligned at the right time to obtain optimum results can be challenging. I personally believe we have more work to do in this area.

Change control; we need to ensure that project changes during execution are held to a minimum, and when they must happen, we explore possible project cost off-sets. Enhanced up-front planning and project documentation and a design code of record will help, but a disciplined change control process must become the norm for greater cost and schedule control.

Thank you, Mr. Chairman and subcommittee members, for the opportunity to appear before you today. I stand ready to answer any questions you might have.