



# THE COMMITTEE ON ENERGY AND COMMERCE

## MEMORANDUM

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July 22, 2013

TO: Members, Subcommittee on Oversight and Investigations

FROM: Committee Majority Staff

RE: Hearing on “Department of Energy Oversight: What is Necessary to Improve Project Management and Mission Performance?”

On Wednesday, July 24, 2013, at 10:00 a.m. in room 2322 Rayburn House Office Building, the Subcommittee on Oversight and Investigations will hold a hearing entitled “Department of Energy Oversight: What is Necessary to Improve Project Management and Mission Performance?” As part of the Committee’s ongoing oversight of the Department of Energy (DOE), this hearing will examine the Secretary of Energy’s plans for reorganizing DOE’s management structure, with a focus on how proposed changes will address key management and performance challenges that confront the agency.

### **I. WITNESSES**

Daniel B. Poneman  
Deputy Secretary  
U.S. Department of Energy

Gregory H. Friedman  
Inspector General  
U.S. Department of Energy

David C. Trimble  
Director, Natural Resources and Environment Team  
Government Accountability Office

### **II. BACKGROUND**

The U.S. Department of Energy (DOE) traces its origins, and its core scientific and technological missions, to the World War II Manhattan Project and subsequently to the Atomic Energy Act of 1946, amended in 1954.<sup>1</sup> Over time, the missions expanded into what developed

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<sup>1</sup> See Atomic Energy Act of 1954 ([42 U.S.C. § 2011 et seq.](#)).

into a sprawling scientific and industrial complex of laboratories and other facilities across the nation. During the energy crises of the 1970s, the Atomic Energy Commission – a predecessor agency to DOE – was dissolved and the Energy Research and Development Administration took on management of the scientific research, nuclear weapons development, and an expanded portfolio of energy development programs. DOE in its current form was established as a Cabinet agency in 1977 pursuant to the Department of Energy Organization Act. The new agency consolidated the core atomic energy and R&D programs and responsibilities with various federal energy-related agencies into a single department,<sup>2</sup> largely to unify federal energy research, policy-making, and information development under one agency umbrella.

DOE currently engages in a broad range of national security, scientific, and environmental activities, including maintenance of the nation's nuclear weapons program, nuclear propulsion work for the U.S. Navy, environmental cleanup of the nuclear weapons complex, nuclear waste management and disposal, as well as promotion of scientific and technical innovation, energy conservation, and energy-related research, and other activities.<sup>3</sup> The agency is comprised of 10 program offices, 13 staff offices, 9 operations offices, 21 lab and technology centers, 4 power marketing administrations, as well as the Energy Information Administration and the National Nuclear Security Administration. It maintains approximately 80 laboratories, sites, and facilities across the United States and seven international offices. It has approximately 16,000 federal employees and more than 92,000 contractors.

DOE is the largest non-Defense Department contracting agency in the Federal government. It relies primarily on contractors to carry out its diverse missions, including to operate its national laboratories and other facilities and to conduct environmental cleanup, which account collectively for about 90 percent of an annual budget that exceeds \$26 billion. Many of the challenges confronting DOE's mission fulfillment – project delays and cost overruns, safety and security deficiencies – derive from the essential structure and organizational philosophy of the agency, in which the missions are primarily performed in the field by contractors at the labs and cleanup sites to conduct the agency's often high-risk, technically unique, and complex projects.

As a result of the ongoing challenges, since 1990 the Government Accountability Office (GAO) has designated DOE contract management as a “high risk” area because DOE's record of inadequate management and oversight of contractors has left the department vulnerable to fraud, waste, abuse, and mismanagement. DOE has made progress in addressing this high risk; GAO removed the designation from the Office of Science in January 2009. GAO now designates two DOE program elements as high risk – the Office of Environmental Management (EM) and the National Nuclear Security Administration (NNSA). These two program elements account for about 64 percent of the agency's annual budget. (The Office of Science accounts for another 20 percent of the budget, with the remaining divided among energy programs, mission support, Power Marketing Administrations, etc.)

In light of GAO's high risk listing, DOE reported its root cause analysis of systemic challenges to planning and management in 2008. By an overwhelming margin, according to the

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<sup>2</sup> See [Department of Energy Organization Act \(August 4, 1977\)](#); see also 42 U.S.C Chapter 84.

<sup>3</sup> For links to the offices and descriptions of activities, see [DOE Program Offices, Labs & Technology Centers, Power Marketing Administration, Operations Offices, Other Agencies and Staff Offices](#).

report,<sup>4</sup> DOE's top challenge was it could not complete front-end planning before establishing project baselines. Since that time, DOE has instituted a corrective action plan to take steps necessary for removal from the GAO high risk list. Although progress has been made to improve performance, a total of 12 projects -- presently estimated to total \$19 billion in costs--are either at risk of breaching performance baselines or expected to breach performance baselines.<sup>5</sup>

Given DOE's national security, cleanup, and related high-risk missions, ensuring implementation of the necessary safeguards and security measures as well as the safety and public health protections, has long posed tremendous contract administration and project management challenges for the department, particularly in NNSA but also in EM and Office of Science operations. Testimony at recent Subcommittee on Oversight and Investigations hearings have highlighted DOE governance and management challenges that contributed to security and safety culture breakdowns, most notably demonstrated by the serious security breach at the Y-12 National Security Complex.<sup>6</sup>

The Department of Energy Inspector General has also identified continued management and performance challenges at the agency, including operation efficiency and cost savings, contract and financial assistance award management, environmental cleanup, human capital management, safeguards and security, among others. Moreover, the Inspector General has concluded that Federal budgetary concerns place efforts to optimize agency operations and reduce costs the "preeminent management challenge facing the Department."<sup>7</sup>

Against this backdrop, Secretary of Energy Ernest Moniz testified before the Subcommittee on Energy and Power on June 13, 2013 that he would be addressing management and performance of the Department as one of his top priorities. In an announcement to Department Employees this past Thursday, July 18, 2013, the Secretary outlined his plans for reorganization of DOE's management structure. These plans include consolidating Department "mission support functions" and EM programs under a new Under Secretary for Management and Performance and expanding the current position of Under Secretary for Science to encompass both science and energy missions, so that a single Under Secretary oversees basic science, applied research, technology demonstration, and deployment, *i.e.*, missions performed by the offices of fossil energy, nuclear energy, electric deliver and energy reliability, etc.

More specifics on the plan will be provided in DOE's forthcoming written testimony. The hearing will provide an opportunity to examine whether and how the reorganization will help DOE management address the key challenges confronting the agency that inhibit its priorities, and that raise risks to public health, national security, and taxpayer funding.

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<sup>4</sup> See [Root Cause Analysis: Contract and Project Management](#), DOE, 2008 and [United States Department of Energy: Corporate Overview, 2012](#).

<sup>5</sup> See [June 2013 Project Dashboard](#). The largest of these projects include the Waste Treatment and Immobilization Plant (\$12.2 billion) at the Hanford Site, WA, the Salt Waste Processing Facility (\$1.3 billion) and Mixed Oxide Fuel Fabrication Facility (\$4.8 billion) at the Savannah River Site, SC.

<sup>6</sup> See, Subcommittee on Oversight and Investigations hearings [September 12, 2012](#) and [March 13, 2013](#).

<sup>7</sup> See, for example, [Management Challenges at the Department of Energy – Fiscal Year 2013](#), Office of Inspector General (IG-0874).

### **III. ISSUES**

The following issues may be examined at the hearing:

- How will reorganization and performance reforms address identified management challenges and the GAO High Risk list?
- How will reform and reorganization efforts address safety and security challenges across the DOE enterprise?
- What is necessary to measure progress on DOE performance?
- What is necessary to sustain improvements in DOE contractor performance?

### **IV. STAFF CONTACTS**

If you have any questions regarding this hearing, please contact Peter Spencer or Karen Christian of the Committee staff at (202) 225-2927.