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EM-53 Lessons Learned Bulletin

Lessons Learned on Trends from FY15 Project Peer Reviews



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Statement:

Project Peer Reviews (PPR) of capital asset projects are implemented in accordance with DOE O 413.3B, Program and Project Management for the Acquisition of Capital Assets. As described in the Order's Project Management Principles, PPRs should be utilized throughout the lifecycle of a project to appropriately assess project status, and make any corrections to project direction as needed. These reviews can be a useful tool for the Federal Project Director, senior site management and senior DOE management to provide confidence that a project is proceeding in accordance with contract requirements from both a technical and a programmatic point of view. Conversely, projects that are experiencing issues can benefit from an independent review with documented recommendations for correcting deficiencies as determined by qualified subject matter experts in the various disciplines of project management.

PPRs are to be performed "between CD-0 and CD-1, annually between CD-1 and CD-2, at least once a year, starting annually between CD 2 and continuing through CD 4, for large or high-visibility projects and more frequently for the most complex projects or those experiencing performance challenges" (Ref 1). More specific information on conducting reviews are contained in the DOE Guide 413.3-9, U.S. Department of Energy Project Review Guide for Capital Asset Projects, which provides a good overview of the project review process.

At the end of each fiscal year, trends on the recommendations and issues raised by the various reviews are determined.

Discussion:

The Office of Environmental Management (EM) completed 18 PPRs in Fiscal Year (FY) - 2015. This total included Independent Project Reviews (IPR) on three new capital asset projects that assessed readiness for approval of Critical Decision (CD) - 1, Approve Alternative Selection and Cost Range. Additionally, there was one IPR on a Project that assessed readiness for CD-2, Approve Performance Baseline and CD-3, Approval of the Construction or Execution.

Analysis:

In December 2014, the Secretary of Energy issued guidance and recommendations (S-1 memorandum – Ref 2) in an effort to improve department-wide management of Projects, specifically improving Project Management lines of responsibilities and strengthening of the PPR process. These improvements are currently being documented in a revision to DOE O 413.3B. One of the immediate improvements implemented was the formation of a Project Management Risk Committee (PMRC). PMRC issued additional guidance in June 2015; this guidance as well as the additional compliance items imposed by the S-1 memorandum impacted the planning and execution of PPRs significantly. To enhance the peer review process, sufficient notice must be given to the PMRC regarding upcoming peer reviews. The committee will review the scope of the review to ensure review teams are focused on pressing issues. In addition, the PMRC will evaluate the review team members to ensure that the team composition is independent and has the requisite skills to perform an effective review. Finally, the PMRC will evaluate results of the reviews as well as the site's corrective actions to correct highlighted recommendations.

The Office of Project Assessment (EM-53) analyzed FY15 PPR recommendations with the objectives of assessing the effectiveness of implementing project management initiatives as well as identifying new lessons learned. The following new trends were identified:

1. Due to the new requirement for an independent Analysis of Alternatives prior to CD-1, Approve Alternative Selection and Cost Range, IPRs and PPRs have highlighted that Projects and Sites address this prior to requesting CD-1 approval. Some Projects that had their CD-1s approved prior to the S-1 memorandum will be considered for waivers as determined by the PMRC.
2. Sites are proactively planning for advance procurements of long lead components as much as 18 months prior to the expected need. This takes into account prior years' lessons from negative impacts to the baseline from waiting too long.
3. Federal Project Directors (FPD) are preferring to baseline Projects at higher than 80% confidence levels. This preference is consistent with the current guidance from S-1 and the PMRC.
4. Sites are consistently planning and implementing the Performance Based Incentive (PBI) clause from the December 2012, Deputy Secretary (S-2) memorandum for effectively tailoring PBIs in planning Contracts and Contract Line Items (CLIN). For those contracts that were issued prior to 2012, Sites have been working with the Office of Contract Assistance (EM-52) to ensure that they are compliant with the S-2 guidance.
5. Sites continue to be open to considering Firm Fixed Price contract types for future procurement actions. In FY 2015, EM prime contracts awarded more fixed price contracts; and many are being planned to have fixed price subcontracts.
6. Consistent with the prior management recommendations on planning for adequate staffing on Projects, FY 2015 PPRs routinely evaluated current and future staffing needs on the Projects and ensured associated costs were captured in the funding profiles.
7. Several new EM Projects are being planned as Line Item Projects based on a different understanding and approach for classifying Projects than in previous years.
8. As in FY 2014, confusion and planning inconsistencies continue to exist due to lack of an approved policy on classification of capital asset Projects and operations activities.
9. Sites continue to be diligent about developing a corrective action plans for the open PPR recommendations. The FPDs are making every effort to disposition recommendations in a timely manner.

Actions:

The following are lessons learned from the performance of project reviews for FY15 based on the observed trends:

1. Ensure that projects, where required, perform an Analysis of Alternatives (AoA) that is independent of the contractor organization that is responsible for managing the project, as now required by S-1 memo direction. In addition, if major deviations or new technologies become available for a project, an independent AoA could be required.
2. Ensure that long lead material procurement is performed with enough time to not negatively impact the project schedule.
3. Baseline projects at the required 80-90% confidence level
4. Ensure that projects with clauses for Performance Baseline Incentives are done in accordance with S-2 Dec 2012 memo direction
5. Evaluate the issuance of firm fixed price subcontracts when appropriate in order to improve risk management on procurements
6. Ensure that projects review the current and future staffing requirements in order to determine if the project's estimated costs will be in alignment with funding
7. Understand and implement corrective actions based on the recommendations generated by project reviews team in a timely fashion

Critical Decision(s): CD-1 to CD-4

Facility Type(s): All

Work Function(s): Contracts, Project Management

Technical Discipline(s): All

References:

1. DOE O 413.3B, Program and Project Management for the Acquisition of Capital Assets
2. Memorandum from Ernest Moniz, Secretary of Energy: Improving the Department's Management of Projects, December 1, 2014.
3. Memorandum from Daniel B. Poneman, Deputy Secretary: Aligning Contract Incentives for Capital Asset Projects, December 13, 2012

Questions about the EM Lessons Learned program? Contact Johnnie Newson at johnnie.newson@em.doe.gov.