

TESTIMONY OF INGRID KOLB
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BEFORE THE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Subcommittee, my name is Ingrid Kolb. I serve as the Director, Office of Management at the U.S. Department of Energy. I am pleased to be here today to discuss with you the Department's efforts to improve project management, including our efforts to be removed from the Government Accountability Office's (GAO) High Risk List. I will also address our work with the National Academy of Public Administration (NAPA) to improve the Department's acquisition, human resources, and financial management functions.

In his address to the Joint Session of Congress, President Obama highlighted energy as one of three areas that is "absolutely critical to our economic future." The passage of the American Recovery and Reinvestment Act has begun a new challenge at the Department of Energy by providing the Department with new resources and responsibilities that will put Americans back to work and transform the way we use energy. The Department will

also provide leadership in developing technologies for a clean, efficient energy supply; reinvigorating the economy with science and technology; and safely managing and containing nuclear material. Secretary Chu has made it clear that the Department will carry out the economic recovery plan with the highest level of speed, transparency, and accountability.

Secretary Chu has a proven track record of management excellence. In announcing Dr. Chu's nomination for Secretary of Energy, President Obama credited him with blazing new trails throughout his career as a scientist and teacher, but also as an administrator. Most recently, as Director of the Lawrence Berkeley National Laboratory, he demonstrated his commitment to sound project management, where under his leadership the Laboratory received the 2007 Department of Energy Excellence Award in Project Management for constructing the \$85 million LEED Gold certified Molecular Foundry Facility within cost and on schedule.

Department of Energy Project Management and GAO High Risk List

Currently, the Department of Energy is managing 54 active, on-going capital asset construction projects with a cost of nearly \$28 billion, as well as about 60 environmental cleanup projects, valued at some \$35 billion.

While most of the Department's capital asset construction and environmental clean-up projects are completed successfully, we do acknowledge that too many breach their

performance baselines, and that this has harmed the Department's credibility. The ongoing challenges the Department faces in its project management efforts have kept the Department's contract and project management functions on the GAO High Risk List since 1990.

I am pleased to note, however, that the Department continues to make steady progress in improving project management. At the direction of this Subcommittee, the Department has worked closely with GAO and the Office of Management and Budget to develop an action plan, with concrete steps and scheduled milestones, designed to result in the Department's removal from the GAO High Risk List. The focus of this action plan is to successfully address the root causes of the major challenges to planning and managing Department projects. The action plan identifies eight measures that, when completed, will result in significant, measurable, and sustainable improvements in the Department's contract and project management performance and culture. Primary actions include strengthening front-end planning, optimizing staffing, improving risk management, better alignment of funding profiles and cost baselines, strengthening cost estimating capability, improving acquisition strategies and plans, improving oversight, and stricter adherence to project management requirements.

Most notably, the plan includes aggressive metrics to drive improved performance and increased accountability. For example, by 2011, DOE's goal is to have 90 percent of the Department's capital asset line item projects completed within 10 percent of the original

approved cost baseline unless otherwise impacted by a directed change. The plan also includes 20 additional measures to gauge progress.

An Executive Steering Committee, which I chair, is managing implementation of this action plan; other members are senior-level representatives from the three Under Secretaries' Offices, the Office of Management, and the Office of the Chief Financial Officer. The Executive Steering Committee oversees the progress of teams established to implement the plan's corrective actions. The Steering Committee members also periodically brief OMB and GAO representatives on the status of all milestones and performance metrics.

As a result of the Department's efforts, GAO in its January 2009 High Risk Update recognized the Department's progress in establishing a more structured and disciplined approach to contract and project management and credited the Department as having substantially met three of the five criteria necessary for removal from its High Risk List. Specifically, GAO states that the Department has demonstrated strong commitment and leadership, demonstrated progress in implementing corrective measures, and developed a corrective action plan that identifies root causes, effective solutions and a near-term plan for implementing the solutions. Two criteria remain: having the capacity (qualified people and correctly allocated resources) to successfully manage projects; and monitoring and independently validating the effectiveness and sustainability of corrective actions. As part of the Department's corrective action plan, we are taking specific steps to address human capital and resource issues. These actions are based on best practices used by

other Federal agencies, including the Naval Facilities Command and the Army Corps of Engineers.

In its report, GAO also recognized recent work by the Department's Office of Science in demonstrating strong performance in meeting cost and schedule targets. As a result, GAO narrowed the scope of the Department's high-risk area to include only the two major program elements that continue to experience significant challenges—the National Nuclear Security Administration and the Office of Environmental Management. The Department's efforts will focus on these two major areas and programs that receive significant increases from Recovery Act funding as we move forward.

NAPA Review of DOE Mission Support Functions

The Department of Energy appreciates the ongoing support of this Subcommittee in making the expertise of the National Association of Public Administration (NAPA) available to the Department. Since 2003, NAPA has provided valuable analysis and recommendations to improve management of the Office of Energy Efficiency and Renewable Energy and the Office of Environmental Management. Most recently, NAPA has been conducting a review of the Department's acquisition, human resources, and financial management functions.

As the Department's lead for this review, I can attest to the broad knowledge and collaborative approach of the NAPA staff. The NAPA staff have shown a genuine

understanding of the challenges that the Department faces and have engaged with us in a constructive dialogue on options and recommendations as they are being developed. We also appreciate the time and collective expertise of the panelists for this NAPA review.

NAPA's report on acquisition, human resources and financial management is not scheduled for completion until April 2009, and work remains ongoing. We have, however, had discussions with NAPA reviewers and staff on their observations and potential recommendations, and agree that the Department's mission support organizations must be more mission-focused, more customer-driven, and better integrated. NAPA has presented alternative approaches to achieving these results, which will be carefully considered once their report is finalized and delivered to the Department.

Human Resources. In the area of human resources, we agree with NAPA's assessment that the Department faces serious challenges that must be addressed expeditiously. Upon arrival at the Department, Secretary Chu also quickly recognized the need and has already directed development of a transformational action plan to provide both near-term fixes and longer-term solutions for rebuilding the Department's hiring processes. A cross-cutting team of senior executives and NAPA experts is in the final stages of developing this plan, which is due to the Secretary by March 16. As the person with lead responsibility for developing this plan, I can share with you that it will provide a roadmap for dramatically changing the way people are recruited and hired at the Department of Energy.

Acquisition. The Department is the largest civilian contracting agency in the Federal Government. In FY 2008, DOE obligated approximately \$27.4 billion to Federal contracts and financial assistance instruments. As part of its 2007 study of the Office of Environmental Management, NAPA made a series of recommendations to improve the process for executing major procurements. Most of these recommendations have been implemented or are in process. For example, a comprehensive reengineering study of the business clearance process used by the Headquarter's Procurement Office to review major acquisitions was completed in 2008, and the resulting recommendations are being aggressively implemented. Also at NAPA's suggestion, the Headquarters Procurement Office now conducts management reviews of field procurement offices. Since November 2008, three reviews have been performed, and several others are planned through the remainder of the calendar year. These reviews are expected to strengthen field procurement operations and reduce the need for Headquarters oversight. In addition, the threshold at which Headquarters Procurement Office reviews are required for major acquisitions was increased from as low as \$5 million to \$50 million. Finally, in response to NAPA's recommendation, the Procurement Office has recently begun to solicit customer feedback on the value and timeliness of the business clearance process. Collectively, these reforms are already resulting in improved service to program offices, increased customer satisfaction, and more efficient management.

Financial Management. NAPA has praised the strategic approach taken by the Office of the Chief Financial Officer to guide its operations and has made preliminary

recommendations to further improve the Department's financial management accountability. The Department supports several of these recommendations, especially the need for more effective long-term planning and evaluation within the budget formulation process. The CFO is examining alternatives for implementing a formal program planning, budget, and evaluation process. Other preliminary recommendations offered by NAPA are under active consideration by the Department's new management team and will be discussed further with the NAPA staff and panel before they issue their final report.

Conclusion

Secretary Chu is committed to an ambitious agenda for the Department of Energy – one that creates thousands of jobs together with a clean, secure, prosperous energy future for America. Accomplishing this ambitious agenda will require that the Department's Program Offices focus intently on their mission goals and execute with speed and efficiency. Please be assured, Mr. Chairman and Members of the Committee, that Secretary Chu shares your commitment to management excellence, and that he looks forward to working constructively with this Committee and others to secure America's energy future and, in the process, to shape a stronger, more streamlined Department of Energy.

Mr. Chairman, this concludes my testimony. I'm happy to answer any questions you may have. Thank you.