The Deputy Secretary of Energy

Washington, DC 20585

January 16, 2009

MEMORANDUM FOR HEADS OF DEPARTMENTAL ELEMENTS

FROM: JEFFREY F. KUPFER
ACTING DEPUTY SECRETARY

SUBJECT: Project Full Funding Policy in the Annual Budget Request

On July 18, 2008, the Secretary approved the Department's Contract and Project Management Root Cause Analysis (RCA) Corrective Action Plan (CAP). This is the Department's plan to improve contract and project management and ultimately be removed from GAO's High Risk List – a list that the Department has been on since 1990. One of the key issues identified in the CAP is the Department's failure to request and obtain full funding for non-information technology capital asset projects, where appropriate. This new policy is established to reduce the inherent inefficiencies and risks introduced by prolonging the duration of small projects, as well as to add budget stability for project execution.

Effective immediately, starting with the FY 2010 budget request, all "new start" (pre-CD-2) capital asset construction projects (not including Major items of Equipment) with a total project cost (TPC) of less than $20M, will request all construction funds within the same appropriation year of start of construction. This will be our first step towards meeting the goal stated in the RCA CAP of fully funding capital asset line item projects with TPC less than $50M in one Fiscal Year by the end of FY 2013. This policy does not change any requirements or flexibilities contained in DOE Order 413.3A, *Program and Project Management for the Acquisition of Capital Assets.*

The expectation is that most projects with a TPC of less than $20M will be fully funded in accordance with this memorandum. Any exceptions to this policy must be approved by each organization's Program Secretarial Officer (or in the case of NNSA by the Administrator) in consultation with the Chief Financial Officer and the Office of Engineering and Construction Management keeping in mind the Department-wide objective to fully fund at least 80 percent of our lower cost construction projects.

Requesting full funding for capital asset projects is stipulated and endorsed within OMB's Circular A-11. Given current fiscal dynamics (price of fuel and commodities), now more than ever, requests for full funding on projects of less than $20M is the right course of action. Full funding, if appropriated by Congress, will add stability to project execution, reduce the risks that incremental funding introduces, and will help the Department achieve its goal of completing projects on cost, schedule and scope.

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