The Secretary of Energy
Washington, DC 20585

August 10, 2005

MEMORANDUM FOR HEADS OF DEPARTMENTAL ELEMENTS

FROM: SAMUEL W. BODMAN

SUBJECT: Improving Project Management

Successful Project Management is critical to the Department of Energy. Our ability to deliver projects, including information technology projects, within cost and schedule directly affects our credibility with the Administration, with the U.S. Congress and, most important, with the American people. The Department has sound project management policies and procedures in place. We also have a capable and enthusiastic work force committed to successful performance. These strengths will allow us to develop a culture within the Department that promotes disciplined upfront planning, realistic estimates of cost, schedule and performance, and straightforward communication between the project director and senior management. Making this cultural change will have a significant and long-lasting impact on the Department of Energy. I ask that you personally ensure that the plan outlined below is aggressively executed in your program.

DOE Project Management Process

DOE Order 413.3, "Program and Project Management for the Acquisition of Capital Assets," and its accompanying manual are to be followed scrupulously, without exception. This Order outlines a thoughtful, reasoned process for moving a project from inception to completion. It also provides streamlined processes for managing lower cost and risk projects. It is similar to, and based on, project management processes and concepts used by other agencies and the private sector. Used correctly, this process fosters sound, disciplined, upfront planning; requires reasoned and documented decision-making; establishes defined goals/targets; and provides a method to measure progress toward achieving those goals. This departmental Order applies to all program offices, including NNSA. Let me be clear, this Order or process is not to be considered an obstacle to overcome, nor is it a suggestion. To promote cultural change we must encourage an atmosphere of voluntary compliance. I expect each program secretarial officer to personally ensure adherence.

Training, Education and Experience

Training of program managers, project directors and contracting officers is paramount for both immediate and sustained improvement in project performance. Department of Energy employees must be afforded the skills,

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experience, and opportunities needed to ensure successful project management and for their own personal success. If we pursue and encourage continued education, training, and gradually increased career responsibilities, the Department of Energy will continue to attract superior employees. To accomplish this goal we must take the following steps:

- Each program is to make maximum use of the training opportunities provided by the Project Management Career Development Program (PMCDP). All federal project directors assigned to Department projects must be certified by May 2006. It is your responsibility to ensure that they are. I expect you to monitor your program's progress and report your status monthly to me through OECM. This goal is essential to moving forward rapidly. Hiring experienced project directors who already meet the Department's certification requirements should be considered to meet the 2006 deadline.

- Our Department must become skilled in the use of Earned Value Management, a tool gaining widespread use in industry and the Federal Government. Through the PMCDP, OECM will provide course offerings for all contracting officers. I expect an aggressive effort from each of you to ensure that these employees are trained in Earned Value Management by the second quarter of FY 2006.

- The Department has several quality training programs and has defined skill requirements for project directors and contracting officers. Each program office is to determine its current number of personnel and level of expertise in each of these categories and assess its future personnel needs to ensure proper project management and contract management. By October 1, 2005, each program is to report its assessment of need and plan to meet any shortfalls in both categories. This plan should be aggressive enough to address any shortfalls by the fourth quarter of FY 2006.

Incentivize Superior Performance

Superior performance by program managers, project directors, and contracting officers will be recognized. The Chief Human Capital Officer will head a team comprised of appropriate departmental components to evaluate the existing, but infrequently used, program for incentivizing program managers, project directors and contracting officers and make recommendations for improvement. Candor, professional ability, and sound business judgment must be the cornerstones of this effort. The team should consult with the Office of Personnel Management, the Department of Defense and private industry as appropriate. I believe that this is the foundation for our improved cultural identity, so timely implementation is paramount. After my review, I expect to implement this program at the beginning of the third quarter in FY 2006.

The Office of Management, Budget and Evaluation, working with departmental programs, is to develop a Program Managers' career development path as an adjunct to the PMCDP. This effort should be in place by third quarter of FY 2006.

Accountability

Program managers, project directors, and contracting officers are to be held accountable for meeting cost, schedule and performance targets by:

- Ensuring adherence to Department Order 413.3.
- Providing program managers and project directors with the authority needed to manage their programs/projects including participation in the establishment of program/project goals and contract source selection authority.
- Involving program managers and project directors early in the process, for example, naming project directors no later than Critical Decision one (CD-1) consistent with DOE Order 413.3.
- Holding program managers, project directors and contracting officers accountable for exercising sound judgment and for accomplishing program/project goals that are within their control and authority.
- Programming, budgeting and executing resources in accordance with approved project baselines, consistent with departmental policies.
- Ensuring that contracts contain provisions appropriate to the contract type to ensure contractor accountability for cost, schedule and performance. These provisions should include the use of both negative and positive incentives, especially with regard to fee and award determinations.
- Administering the contracts so as to enforce contractor accountability consistent with contract provisions.
- Ensuring that the government-wide past performance database reflects contractor performance failures and apply the information in future contractor selections.

In addition, the Department's Chief Human Capital Officer will coordinate an effort to ensure that all project directors are on the standard position descriptions that have been designed to establish consistent credential and job requirements and ensure that each program's project director performance plans include standards related to project performance.

I know that I can count on your enthusiastic pursuit of this cultural change. With your personal leadership and commitment in each of your programs we can, and will, improve the Department's reputation for sound project execution.