

Highlights of [GAO-05-123](#), a report to the Committee on Government Reform, House of Representatives

## DEPARTMENT OF ENERGY

# Further Actions Are Needed to Strengthen Contract Management for Major Projects

### Why GAO Did This Study

The Department of Energy (DOE) pays its contractors billions of dollars each year to implement its major projects—those costing more than \$400 million each. Many major projects have experienced substantial cost and schedule overruns, largely because of contract management problems. GAO was asked to assess, for major departmental projects, (1) DOE’s use of performance incentives to effectively control costs and maintain schedules, (2) the reliability of the data DOE uses to monitor and assess contractor performance, and (3) the reliability of the Project Assessment and Reporting System (PARS) data that senior managers use for project oversight.

### What GAO Recommends

GAO recommends that DOE strengthen its contract management for major projects by, among other things, (1) developing a chapter in DOE’s Acquisition Guide that specifies a systematic contracting approach for major projects; (2) reducing DOE’s overreliance on unvalidated contractor data in awarding contract fees; and (3) developing a schedule for assessing the reliability of contractors’ project management systems, giving priority to systems that DOE believes are deficient. In commenting on the draft report, DOE generally concurred with all of the recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-05-123](http://www.gao.gov/cgi-bin/getrpt?GAO-05-123).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin Nazzaro at (202) 512-3841 or [nazzaror@gao.gov](mailto:nazzaror@gao.gov).

### What GAO Found

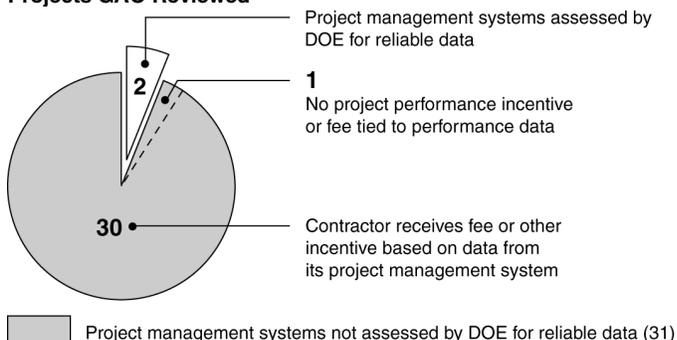
DOE could use performance incentives more effectively for controlling costs and schedules if it developed performance incentive guidance and assigned responsibility for reviewing a contract’s project management provisions prior to award. DOE has awarded contracts for 15 of 33 major projects that use a schedule or other performance incentive without an associated cost incentive or constraint; thus a contractor could receive full fees by meeting all schedule baselines while substantially overrunning costs.

DOE has relied on unvalidated contractor data to monitor contractors’ progress in executing major projects and to award fees for performance. In particular, DOE’s self-assessment of contract administration in 2002 found that field personnel overly relied on contractors’ accounting systems and contractor-collected data in assessing performance, without significant validation of those data. No subsequent self-assessment has been conducted to determine if this problem continues. Furthermore, DOE has not required that its contracting officers receive the training needed to assess the adequacy of contractors’ project management systems that generate data used to monitor progress.

Although development of PARS is a positive step, the reliability of the project performance data that PARS provides to senior DOE managers is limited by problems with accuracy, completeness, and timeliness. Regarding accuracy, DOE has not assessed the reliability of contractors’ project management systems that feed data into PARS for 31 of 33 major projects, even though DOE believes that some systems are deficient. Regarding completeness, GAO identified 3 major projects that are not in PARS. As to timeliness, cost and schedule data for 6 major projects in the June 2004 PARS report were significantly out of date because DOE has not required contractors to submit timely performance data.

These contract management problems limit DOE’s ability to effectively manage its major projects and avoid further cost and schedule slippages.

**Contractors’ Performance Awards Relied on Unvalidated Data for 30 of the 33 Major Projects GAO Reviewed**



Source: GAO analysis of DOE data.