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DOE MANAGEMENT

Implementing the
Environmental
Restoration Management
Contractor Concept

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Mr. Chairman and Members of the Subcommittee:

We are pleased to participate in this hearing on the Department of Energy's (DOE) implementation of its new environmental restoration management contractor (ERMC) approach for cleaning up the nation's nuclear weapons complex. As you know, fundamental contract management weaknesses at DOE have led to widespread mismanagement of federal property and funds. These weaknesses have also contributed to significant environmental problems throughout the complex. In response to calls from the Subcommittee, from GAO and from others, DOE has begun to reform its contract management, through such steps as the new ERMC contracting approach that DOE is currently pilot testing at its Fernald, Ohio and Hanford, Washington, sites. DOE hopes to use the ERMC approach to achieve several important goals, including reducing cleanup costs, speeding the cleanup's progress, and improving DOE's management control of the contractor.

Last year, at the request of this Subcommittee, we evaluated the ERMC concept.¹ We found that while DOE had set important goals for the ERMC concept, several constraints, such as the lack of qualified cleanup personnel, might make it difficult to achieve the concept's goals. As a result, we recommended that DOE (1) prepare and execute a plan for evaluating the pilot tests and (2) identify the staffing and training needs for overseeing the pilot tests and prepare and execute a plan for meeting those needs.

More recently, you asked us to determine what action DOE has taken in response to our recommendations. Our October 27, 1993, letter to you is the basis of my testimony today. In summary, Mr. Chairman, while over a year has passed, DOE has not fully implemented our recommendations. DOE is still in the process of designing a plan for evaluating the ERMC approach--the plan is expected to be completed in May 1994. In addition, while DOE has identified the staffing needs for overseeing the Fernald ERMC and the Hanford ERMC, it has not provided the needed staff for either location. Furthermore, DOE has not prepared a plan for how it will acquire and train the needed staff.

I would now like to discuss the status of the ERMC's implementation and DOE's response to our recommendations in greater detail.

DOE's ERMC CONCEPT AND ITS IMPLEMENTATION

In February 1990, in response to concerns that the existing management and operations (M&O) contractors did not have adequate

¹DOE Management: Impediments to Environmental Restoration Management Contracting (GAO/RCED-92-244, Aug. 14, 1992).

incentives to reduce cleanup costs and the public perception that the M&Os helped create DOE's environmental problems, DOE began studying alternative contracting approaches. As a result of the efforts of the Alternate Contracting Task Force, DOE decided to test the ERMC concept. This concept called for a management contractor, experienced in environmental restoration, to focus solely on the environmental restoration of the site, subcontracting out all but the management and oversight of the cleanup.

DOE has made the ERMC approach a central element in its environmental restoration plans. Specifically, the goals set for the ERMC included bringing into DOE more contractors that had expertise in cleaning up sites under the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act. The goals also included improving management control of the environmental restoration program, reducing cleanup costs, and facilitating more timely restoration of the sites.

Since our report to you in 1992, DOE has selected a contractor for the ERMC pilot test at the Fernald site. The Fernald pilot test began in September 1992 with the replacement of Westinghouse Environmental Management Company of Ohio, the M&O contractor that operated the site as well as undertook the cleanup, with an ERMC contractor, the Fernald Environmental Restoration Management Corporation, a subsidiary of Fluor Daniel Corporation. DOE's selection of an ERMC contractor for the Hanford site has been delayed because of a bid protest. One of the bid protests has been sustained. GAO has recommended that, if possible, DOE reevaluate two of the proposals to determine the most probable cost to the government of each of these proposals. Implementation of the ERMC at Hanford will await the outcome of these deliberations.

According to the Deputy Assistant Secretary for Environmental Restoration, there will be only two pilot tests of the ERMC approach. DOE plans to determine how well the ERMC concept works at the two pilot test sites before considering using the approach at other DOE sites undergoing cleanup.

DOE HAS STILL NOT DEVELOPED A
PLAN TO EVALUATE THE ERMCs

In our 1992 report, we stated that while DOE had set important goals for the ERMC approach, it had not established final criteria for measuring the ERMC's success, identified the information needed to evaluate the ERMC, or established a timetable for conducting the evaluation. Therefore, we recommended that DOE prepare and execute a plan for evaluating the pilot tests and that the plan should establish specific objectives for the ERMC pilot test, criteria for judging its

success, data that will be needed to conduct the evaluations, and time periods for conducting the evaluations.

DOE's Office of Environmental Restoration at headquarters is in the early stages of preparing a plan for evaluating the pilot tests. The Office has selected a contractor, INTECH, to help it define and conduct the evaluation, under the Office's direction. Completion of the evaluation plan is tentatively set for May 1994.

TRAINING AND STAFFING FOR OVERSIGHT OF
THE ERMCS IS NOT COMPLETE

In our 1992 report, we found that because of changes in the relationship between the contractor and DOE, implementation of the ERMC concept would require additional staff, as well as training for existing DOE site personnel. Specifically, one key feature of the ERMC concept that increases DOE direct involvement is a change in the way the contractor will be paid. M&O contractors operate under a letter-of-credit arrangement with DOE, from which the M&Os pay for the restoration. Specific review of restoration work is not required prior to payment. Under the ERMC concept, DOE is using an invoice system, where the ERMC submits monthly invoices for costs it incurs. DOE expects field office project management and financial personnel to review and approve the invoices before they are paid. DOE expects this monthly scrutiny to result in better control over the contractor's actions.

In our report, we noted that DOE had not obtained all the staff needed to oversee the pilot tests or developed plans to train existing staff in their new oversight responsibilities. Therefore, we recommended that DOE identify the staffing and training needs for overseeing the pilot tests and prepare and execute a plan for acquiring and training the necessary staff.

DOE has identified the staffing needs for the Fernald ERMC pilot test. In February 1992, the former Secretary of Energy established a DOE field office at the Fernald site. As part of that action, DOE authorized 190 full-time-equivalent (FTE) staff to adequately oversee the ERMC at Fernald and manage the site's cleanup. Most recently, DOE identified the need as 200 FTEs for managing and cleaning up the site. However, as of November 1993, DOE had only 66 FTEs. According to the manager at Fernald, hiring freezes were a major factor preventing the site from obtaining more staff.

Furthermore, while DOE has begun training its staff to oversee the Fernald ERMC, it has not identified overall training needs or developed a plan for how it will meet the training

needs. DOE recognized the need for additional staff training to meet the challenges brought on by the switch to a contractor invoice payment system for the ERMC and review of those invoices by DOE staff. Consequently, DOE conducted training in invoice review in January 1993 for some of the site's scientific and engineering staff.

While additional training will help DOE staff to better oversee the Fernald ERMC, it does not constitute the full extent of the needed training for the DOE staff. According to the Acting Manager for Administration and Management at Fernald, DOE is in the process of developing such a plan. The official stated that present low staffing levels and time pressures of other duties were the root causes for not developing a plan and for the limited opportunities for staff training.

The Hanford official responsible for implementing the ERMC pilot test told us that DOE-Hanford has identified the need for 42 staff for the oversight of the ERMC but has not acquired those staff. The official stated that DOE-wide FTE ceilings are the reason why the staffing needs have not been met. He said that DOE-Hanford is working on a training plan for the staff and plans to have it in place when the ERMC takes over full responsibility for the environmental restoration activities at Hanford.

The importance of developing a staffing and training plan for overseeing the ERMC was highlighted by the Defense Nuclear Facilities Safety Board. On June 16, 1993, the Board, an organization tasked with reviewing DOE's nuclear safety measures, made a recommendation to the Secretary of Energy about DOE's oversight of the ERMC at Fernald. The Board recommended, in light of recent safety lapses by the ERMC and weaknesses in DOE's oversight of the contractor, that DOE strengthen its technical management of the ERMC contracts. Specifically, the Board was concerned that

- (1) DOE may not have sufficient numbers of competent, trained headquarters and field personnel to technically manage such contracts [ERMC], and (2) contracts may be negotiated and signed before DOE has developed internal plans on how to carry out its technical management and oversight responsibilities.²

In an August 6, 1993, letter to the Board, the Secretary of Energy promised that DOE would prepare an implementation plan for complying with the Board's oversight-enhancing recommendations.

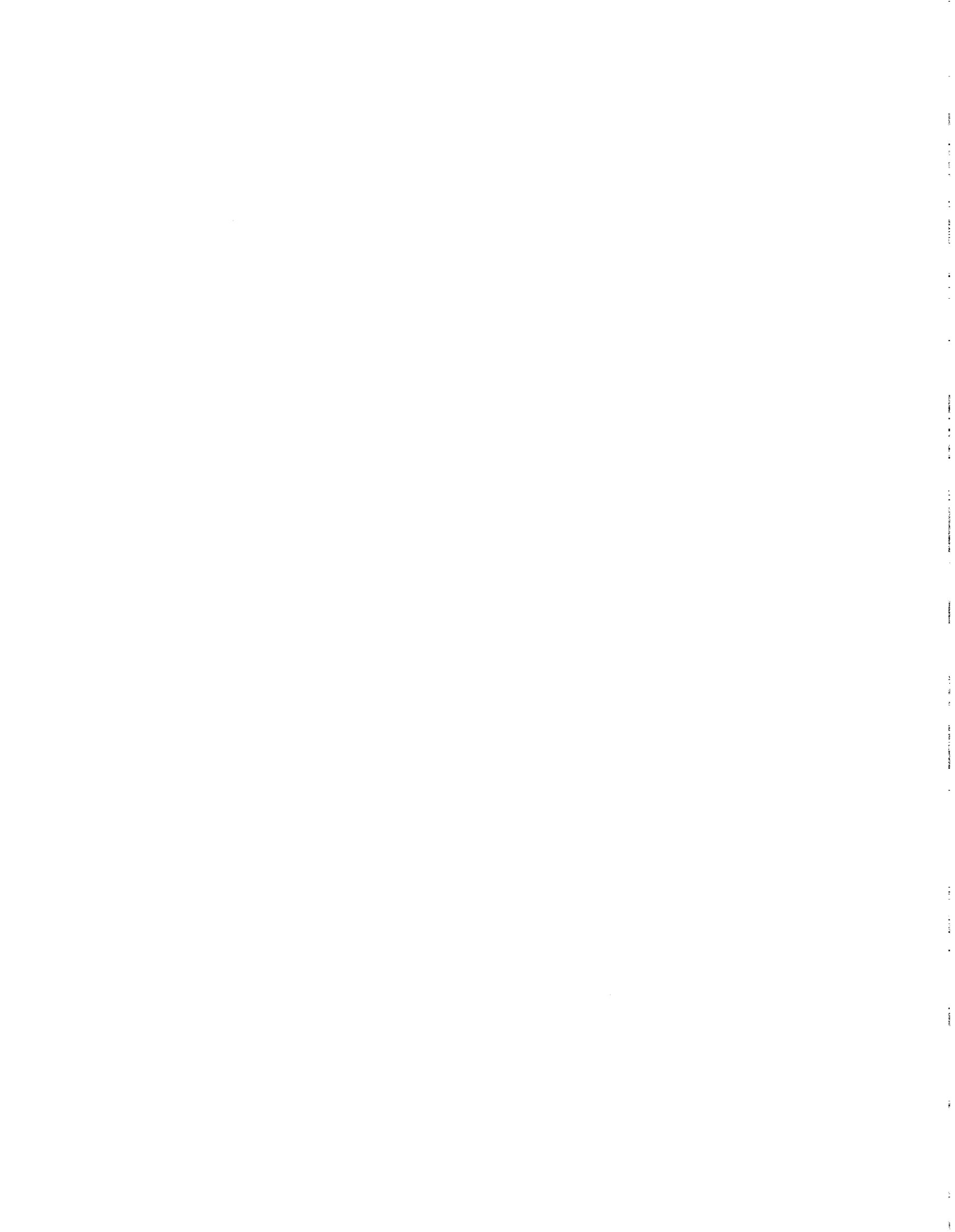
²"Recommendation 93-4 to the Secretary of Energy" Defense Nuclear Facilities Safety Board (June 16, 1993), p. 2.

SUMMARY

Improving how DOE manages the environmental restoration of the nation's weapons complex will be key to controlling the cost of and timeframes for the cleanup. DOE's ERMC concept, with its ambitious goals and use of an invoice approach, offers the promise of strengthening DOE's oversight of its cleanup contractors. However, as we noted in our August 1992 report, several constraints may make it difficult to achieve the concept's goals. Consequently, we continue to believe that a thorough and careful evaluation should be a major component of the pilot tests. More importantly, the success of the pilot tests could be seriously jeopardized, unless DOE meets its own estimates of the number of qualified staff and adequately trains them to oversee the ERMC contractors.

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Mr. Chairman, this completes my prepared statement. I will be glad to respond to any questions you may have.



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