

GAO Highlights

Highlights of [GAO-13-767T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

DOE missions encompass energy resources, scientific and technological development, environmental cleanup, and nuclear security. Management of major projects and contracts within EM and NNSA, a separately organized agency within DOE, remain on GAO's list of areas at high risk of waste, fraud, abuse, and mismanagement, where they have been listed since 1990. Progress has been made, but GAO continues to identify management problems related to cost and schedule overruns on major environmental cleanup and nuclear projects and safety problems at DOE sites that have not been fully addressed.

This testimony discusses DOE's management challenges in (1) managing major projects and programs, (2) managing security and safety at DOE sites, and (3) producing reliable enterprise-wide information, including budget and cost data.

Over the past decade, GAO has made numerous recommendations in its reports to address challenges such as those identified in this testimony. DOE agreed with most of them and is taking steps toward implementing them. GAO's work has also recognized some of the steps that DOE has taken to address these challenges. For example, in the most recent update of GAO's high-risk series, GAO narrowed the focus of the high-risk designation of DOE's contract management to EM's and NNSA's major contracts and projects (i.e., those costing \$750 million or more). GAO will continue to monitor DOE's implementation of actions to resolve long-standing management challenges, including actions taken in response to GAO's recommendations.

View [GAO-13-767T](#). For more information, contact David Trimble at (202) 512-3841 or trimbled@gao.gov.

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DEPARTMENT OF ENERGY

Observations on DOE's Management Challenges and Steps Taken to Address Them

What GAO Found

As GAO has reported over the last decade, the Department of Energy's (DOE) management of major projects and programs, security and safety at DOE sites, and reliable enterprise-wide management information, including budget and cost data, are among the most persistent management challenges the department faces.

- *Challenges managing major projects and programs.* The Office of Environmental Management (EM) and the National Nuclear Security Administration (NNSA) continue to face challenges managing major projects and programs, which have incurred significant cost increases and schedule delays. For example, GAO reported in July 2013 that the cost estimate range for a project to construct a modern Uranium Processing Facility (UPF) at DOE's Y-12 National Security Complex in Oak Ridge, Tennessee, had increased five- to seven-fold to up to \$6.5 billion since the project's inception in 2004. Furthermore, the most recent cost estimate range may no longer be valid after the contractor reported in August 2012 that the UPF's roof would have to be raised 13 feet. GAO is currently assessing DOE cost estimating policies and practices and plans to issue a report based on this work later this year. DOE's actions to improve project management appear promising, but their impact on meeting cost and schedule targets may not be clear. Because all ongoing major projects have been in construction for several years, neither EM nor NNSA has a major project that can yet demonstrate the impact of DOE's recent reforms.
- *Challenges managing security and safety.* Reports about the July 2012 security breach at the Y-12 National Security Complex identified numerous, long-standing and systemic security issues across the nuclear security enterprise and significant safety problems at DOE sites that have not been fully addressed. A NNSA Security Task Force and an independent panel convened at the request of the Secretary of Energy also found systemic security issues across the nuclear security enterprise, and found deficiencies in DOE's security culture and oversight, which closely matched issues GAO identified a decade earlier. GAO has ongoing work assessing DOE security reforms and plans to issue a report based on this work later this year. GAO has also found that DOE management weaknesses have contributed to persistent safety problems at NNSA sites.
- *Challenges in producing reliable enterprise-wide management information.* GAO has reported that DOE does not have reliable enterprise-wide management data needed to, among other things, prepare its budget requests, identify the costs of its activities, and ensure the validity of its cost estimates. For example, in June 2013, GAO reported that while different approaches are allowed by Cost Accounting Standards, NNSA's management and operations contractors differ in how they classify and allocate indirect costs at NNSA laboratories, which limits NNSA's ability to assess cost data and meaningfully compare cost management performance across laboratories. In addition, GAO reported in June 2010 that NNSA could not accurately identify the total costs to operate and maintain weapons facilities and infrastructure because of differences among contractors' accounting practices. GAO is currently monitoring DOE's ongoing efforts to improve its capability to produce reliable enterprise-wide information.