

memorandum

DATE: August 29, 2006

REPLY TO:

ATTN OF: EMCBC: FREEMAN

EMCBC-00838-06

SUBJECT: **MANAGEMENT CONTROL REVIEW**

TO: James A. Rispoli, Assistant Secretary for Environmental Management, EM-1,
DOE-FOR

In accordance with the Federal Managers' Financial Integrity Act, I have completed a summary management review of the management controls for the Environmental Management Consolidated Business Center (EMCBC) as of August 29, 2006. This report incorporates the results of summary management reviews from the Ohio Field Office, West Valley Demonstration Project, Grand Junction Office, Oakland Project Office, Portsmouth Paducah Project Office, Carlsbad Field Office and applicable contactors. The report includes updated reportable problems identified in fiscal year (FY) 2005 from the Ohio Field Office, Rocky Flats Project Office, and Portsmouth Paducah Project Office, reported under Attachments A and B. In addition, we have attached the EM Internal Control Checklist for each federal office.

The review was performed in conformity with Departmental guidelines and accordingly included a review of whether the management controls comply with underlying management principles, which incorporates the Government Accountability Office's Standards for Internal Controls in the Federal Government. The review included consideration of the results of audit reports, internal management reviews, assurances from the contractor's management under my cognizance, and all other known information. Also, our review considered the areas of: (1) environmental management, (2) nuclear safety management, and (3) non-nuclear safety management.

In addition, EMCBC has relied on our A-123 reviews to ensure our management controls are adequate and are being complied with.

The results of the review indicate there is reasonable assurance that: (1) the management controls are working effectively and that program and administrative functions are performed in an economical and efficient manner consistent with applicable laws; (2) property, funds and other resources are safeguarded against waste, loss, unauthorized use or misappropriation; (3) obligations and costs are proper; and (4) accountability for assets is maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and that there is always some potential for errors or irregularities to go undetected.

An evaluation of the financial management system for the EMCBC has been conducted in accordance with Department of Energy (DOE) Financial Managers' Financial Integrity Act guidelines. The results of the review indicate that the system generally conforms with Federal financial management system requirements. In addition, the financial management systems of site/facility management contractors under my cognizance are in conformance with DOE accounting policies and procedures. The financial management systems evaluation did not disclose any financial management system reportable nonconformances.

In Fiscal Year 2005, DOE was unable to achieve an unqualified Financial Statement opinion. We believe that the CBC still has some low dollar reconciling issues related to integrated and non-integrated contractor cumulative balances. We also have some further reconciliation efforts to complete on historical reimbursable work balances. We believe that we will continue to progress on our data cleanup and reconciliation issues, and that we will have no material issues at end of year closing.

As presently organized, Contracting Officers at the PPPO and the Carlsbad Field Office (CBFO) derive their contracting authority from the EMCBC Head of Contracting Activity delegation, yet these Contracting Officers are employees of the respective organizations under the supervision of the Field Office/Project Office Manager. In contrast, all other Contracting Officers deriving authority from the EMCBC are employees of the EMCBC Office of Contracting, and are under the supervision of the Assistant Director, Office of Contracting. Sound internal control practice typically dictates that there is an organizational separation between project managers, contracting officers, and funds certifying officials. This structure is normally preserved by the placement of a functional supervisor between Contracting Officers and Field Office/Project Office Managers in order to mitigate the possibility of project managers unduly influencing the independent judgment of contracting and financial officials. The current organizational structure does not provide this mitigation and poses a threat to sound internal control practice.

The management review did not disclose any new reportable problems for any of the sites in FY 2006. However, the Ohio Field Office updated four reportable problems from FY 2005 which are summarized in Attachment A and Attachment B. The Portsmouth Paducah Project Office updated three reportable problems from FY 2005 which are summarized in Attachment B. The Rocky Flats Project Office updated and closed one reportable problem from FY 2005. Attachment B of this report contains the action plans and schedules for correcting the reportable problems. The FY 2006 Index and Crosswalk summarizes the Ohio Field Office and Portsmouth Paducah Action Plans included in Attachment B.

The management review for FY 2006 also disclosed the following significant issues facing the Portsmouth Paducah Project Office (PPPO). These issues were determined

to be of such a nature as to warrant explanation in this assurance memorandum, but did not require action plans at this time due to the fact that each issue involves either unpredictable or unfunded costs or is outside the scope of the PPPO responsibility of operational authority.

- A Government Accountability Office (GAO) study was requested by Congress of the “Barter Arrangement” between DOE and the United States Enrichment Corporation (USEC) to ensure the agreement is in the best interests of the government. The agreement stems from removing technetium-99 (Tc-99) contamination from uranium feed that was delivered to USEC as part of their privatization process. DOE periodically transferred excess clean uranium to USEC to cover the cost of decontaminating the Tc-99 contaminated uranium. The findings conclude that DOE was authorized to enter into the agreement but that prior to FY 2006 some of the funds received from USEC’s sale of uranium may have violated the Miscellaneous Receipts Act. The GAO recommended that DOE seek to have Congress ratify the transaction or return the \$62M USEC received from the sale of the uranium to the Department of the Treasury.
- DOE stores approximately 58,000 depleted uranium hexafluoride cylinders at the Paducah and Portsmouth sites. Both the states of Ohio and Kentucky have asserted that the depleted uranium is a hazardous waste subject to regulation under state and federal hazardous waste laws. DOE disagrees that the depleted uranium is a waste and maintains that the material is regulated exclusively under the Atomic Energy Act. DOE has entered into settlement agreements with both states under which the depleted uranium is managed according to a negotiated management plan. The agreement with Ohio expires in 2008. The agreement with Kentucky is in the form of an Agreed Order, which is the subject of a judicial challenge (discussed below). If the depleted uranium is ultimately determined to be hazardous waste, DOE’s costs for storing the material would rise dramatically.
- As a result of previous releases of hazardous substances at the Paducah and Portsmouth sites, the states of Ohio and Kentucky have potential claims against DOE under the Comprehensive Environmental Response, Compensation, and Liability Act for damages to natural resources. These claims may be brought against DOE in the near future. If successful, these claims could result in significant monetary liabilities for DOE.
- With the enactment of Section 633 of the 2005 Energy Policy Act, DOE concluded that the small business contractors at Portsmouth and Paducah should provide pension and retiree medical benefits to approximately 100 former USEC employees under the Multiple Employer Pension Plan (MEPP)

and the Multiple Employee Welfare Arrangement (MEWA). The former USEC employees that gained employment with the new contractors have come without a transfer of assets from the USEC pension plan. Therefore, the initial liability to DOE is approximately \$7M for pension benefits and the projected long-term liability for post-retirement benefits (retiree medical) is estimated to be between \$14M and \$58M.

- The Physicians Panel under the Energy Employees Occupational Illness Compensation Program Act (EEOICPA) has issued several positive findings for individuals associated with the Portsmouth and Paducah facilities. The contractors have been directed by DOE not to contest a Workman's Compensation claim if it is directly related to a Physicians Panel positive finding. As a result, there is the potential that the cost to cover valid Workman's Compensation claims could exceed available funding.
- Worker concerns have been raised at both the Portsmouth and Paducah sites concerning the potential exposure of workers to beryllium. DOE has addressed these concerns in FY 2006 by directing USEC to take action to evaluate the level of beryllium contamination and to implement actions to protect workers at Portsmouth. In addition, DOE is proceeding with additional beryllium sampling at Paducah.
- Legal challenges have been made to two Paducah Agreed Orders that DOE entered into in 2003. If the challenges result in the Agreed Orders being overturned, a number of issues concerning matters addressed by the Agreed Orders (e.g., contained-in determinations, health-based levels, hazardous waste determinations, depleted uranium cylinder storage requirements, etc.) will be called into question and require resolution.
- The State of Ohio continues to question (a) the appropriateness of storage of uranium materials in the Portsmouth Uranium Management Center without regulatory permits and (b) DOE's determination that all of the materials are not waste. If the State of Ohio takes legal action to challenge DOE's determination, this would require DOE to litigate the matter and potentially could result in DOE being required to permit the facilities and characterize the waste for treatment and disposal.
- A significant portion of DOE's inventory of depleted uranium hexafluoride cylinders has an outside coating of paint that contains Polychlorinated Biphenyls (PCBs) at levels regulated under the Toxic Substances Control Act (TSCA). The United States Environmental Protection Agency has issued an authorization under TSCA for storing these cylinders at the Portsmouth site. The authorization requires PCB monitoring of the cylinder storage yards and

corrective actions if monitoring results exceed certain threshold levels. If those threshold levels are exceeded in the future, PPPO may have to undertake corrective action at potentially significant costs.

- The United States has sued former DOE contractors for alleged false claims arising from the contractors' environmental management activities at the Paducah site. If the suit is unsuccessful, DOE could be required to reimburse the former contractors for their litigation expenses, which could be substantial depending on the duration of the lawsuit.
- The PPPO has approximately 180 cubic meters of characteristic mixed waste in storage at the Portsmouth site that has been deemed "troublesome" because the radiological contaminants in the waste exceed the Waste Acceptance Criteria for existing off-site commercial treatment facilities. Accordingly, PPPO plans to treat the "troublesome" mixed waste at facilities located at Oak Ridge. Once the "troublesome" waste has been treated, PPPO plans to dispose of the waste at the Nevada test. Site treatment and disposal activities are planned for completion by September 30, 2007, with an estimated cost of approximately \$9 million.
- The PPPO has yet to reach its full strength of 44-full time equivalent employees. Some key positions are vacant.
- Because multiple programs and offices are involved in activities at the Portsmouth and Paducah sites, lines of responsibility and accountability are not always clear, resulting in management weaknesses that, in part, have been identified by the Inspector General as well as others.

If you have any questions, please contact Lance Schlag, Assistant Director, Office of Financial Management, at (513) 246-0470 or myself at (513) 246-0460.



Jack R. Craig
Director

Attachments: As Stated

cc w/attachments electronically:

Ines Triay, ME-3

Mark Frei, EM-30

Mr. Rispoli

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EMCBC-00838-06

Dan Melamed, EM-32
Steve Trischman, EM-32
Mathew Zenkovich, EM-32
Richard Heller, CF-1.2
Genoa Mitchell, CF-1.2

**OHIO FIELD OFFICE
JULY 2006**

ATTACHMENT A – CHECKLIST

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1 1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	Yes CBC Office of Financial Management, OFM, Planning Team	
2	1 2	Who has the responsibility for recording the entry in the financial accounting system?	Yes. CBC Office of Financial Management, OFM, Financial/Accounting Services Team	
3	1 3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	Yes CBC Office of Financial Management, OFM, Internal Review Team	
4	1 3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping. Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	Yes.	
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1 3 be followed to trace estimates back to their origin?	Yes	
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability	Yes. CBC Office of Financial Management, OFM, Planning	

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		estimate at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?	Team has this responsibility.	
7	1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	Yes	
8	1.7	Have long-term surveillance and monitoring (LISM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	Yes	
9	1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	Yes	
BASELINE GUIDELINES				
10	2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	Yes	
11	2.2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	Yes	
12	2.3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Yes	
13	2.4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	Yes	
14	2.5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	Yes	
15	2.6	Is there a review and approval process in place for the development of a baseline?	Yes	

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		Life-cycle planning estimates?		
16	2.7	Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workscope identified in PBSs? If so, is the transition date clearly documented and are the EM and non-EM costs clearly distinguished in PBSs and site documentation?	Yes	
17	2.8	Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?	Yes	
18	2.9	Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?	Yes	
CONFIGURATION CONTROL BOARD GUIDELINES				
19	3.1	Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures? Is the data contained in the BCP form auditable?	Yes	
20	3.2	Does the BCP include references to all relevant PBS?	Yes	
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	Yes	

I agree that this checklist accurately reflects the internal control system for the **Ohio Field Office**. The internal control system at this Office meets the EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name: *Sr* **Bill Taylor, Manager, OH Field Office**

Signature:

C. Lauer Adley

Date:

8/3/06

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name:

Signature:

Date:

**WEST VALLEY DEMONSTRATION PROJECT
JULY 2006**

ATTACHMENT A – CHECKLIST

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1.1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	Yes	CBC Office of Financial Management, OFM, Planning Team
2	1.2	Who has the responsibility for recording the entry in the financial accounting system?	Yes.	CBC Office of Financial Management, OFM, Financial/Accounting Services Team
3	1.3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	Yes.	WVDP Director.
4	1.3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping. Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	Yes	Yes, a documented relationship between the management system and PBSs is in place. Review and approval takes place during implementation of established baseline development and change control procedures that document progress and modifications to planned work scope prior to and during execution. PBSs are summarized directly from the Work Breakdown Structure (WBS) and are an aggregate of specific Cost Account Planning Reports (CAPRs), i.e. WBS elements that have been authorized, budgeted and scheduled for execution. CAPRs are developed and formally approved annually, consistent with established procedures, and correspond directly to the WVDP baseline plan for any fiscal year.

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1.3 be followed to trace estimates back to their origin?	Yes	
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability estimate at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?	Yes	CBC Office of Financial Management, OFM, Planning Team has this responsibility.
7	1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	Yes	All work executed at the WVDP is Environmental Management work scope
8	1.7	Have long-term surveillance and monitoring (LTSM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	Yes	LTSM requirements have been addressed, and due to the WVDP Act requirement that Project facilities be returned to New York State, the site owner, upon completion of DOE responsibilities for D&D and transport of the HLW canisters, no LTSM costs have been assumed in the current lifecycle cost estimate for WVDP, which extends through FY2070. There are uncertainties, however, regarding this assumption since there are current long-term responsibility and cost sharing issues with New York State that have yet to be resolved.
9	1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	Yes	Program Direction requirements for the WVDP are not included in the estimated costs for the WVDP PBSs.
BASELINE GUIDELINES				

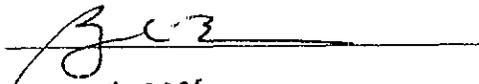
10	2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	Yes	Project lifecycle plans are currently based upon estimates associated with DOE's vision and strategy for site closure at the WVDP, which formed the basis of an Independent Cost Estimate obtained in the Fall of 2005 and Spring of 2006 to support DOE's approach to EM completion. Generally, data supporting these estimates for waste disposition and safe site operations is based on historical costs and current cost estimating practices that support similar work. Data supporting estimates for decontamination and decommissioning is generally based not only on historical costs, but also on a series of Closure Engineering Reports (CERs), generated to support formulation of the Draft Environmental Impact Statement (DEIS), published in FY1996, and as amended to support current DEIS efforts. Cost estimates will be better refined once final decisions regarding site closure and/or long-term management are determined. Work planned and performed at the WVDP is consistent with the estimates.
11	2.2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	Yes	The baseline for WVDP Interim End State will be validated in February 2007. Activities beyond Interim End State will be influenced by the Decommissioning EIS ROD. The resulting baseline will be developed consistent with these decisions.
12	2.3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Yes	Near term (i.e. budget cycle) cost estimates are activity based, and therefore have a high degree of confidence associated with their accuracy, and are described and supported with detail consistent with a graded approach. Out year cost estimates associated with the closure strategy for the WVDP associated with achieving EM completion, were updated based

				upon on Independent Cost Estimates.
13	2 4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	Yes	Near-term estimates are directly traceable to the WBS as well as PBS. Out year estimates developed as a result of an Independent Cost Estimate associated with the scope to achieve EM completion were developed such that the traceability exists for the current WBS and PBS.
14	2 5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	Yes	Assumptions regarding Project completion have been clearly defined and are well documented in the WVDP Project/Performance Management Plan and PBS level Project Execution Plans. Assumptions include information regarding productivity, contingency, overhead and escalation.
15	2 6	Is there a review and approval process in place for the development of a baseline? Life-cycle planning estimates?	Yes	Budget cycle work scope execution is subject to development, review and approval according to established procedures. The baseline for the WVDP Interim End State is scheduled for review in February 2007.
16	2 7	Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workscope identified in PBSs? If so, is the transition date clearly documented and are the EM and non-EM costs clearly distinguished in PBSs and site documentation?	Yes	No other organization is currently scheduled to assume responsibility for work scope in the WVDP PBSs at this time. All estimated costs associated with site S&M, HLW canister transport to a federal repository, and final decommissioning are currently provided for in the WVDP PBSs.
17	2 8	Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?	Yes	Commercial estimating guides and internal policies / procedures are utilized as applicable to support site estimating practices for determination of cost estimates for near-term scopes of work, including contingency and overhead. Information is then factored into work being planned for performance. Information is factored for known site conditions and productivity requirements, and is documented in various Project

				planning documents.
18	2.9	Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?	Yes	The uncertainty related to the Project's life cycle cost is well documented in the WVDP project planning documents. The Project's environmental liability is currently based upon cost estimates associated with DOE's vision and strategy for site closure at the WVDP, which provided the basis for an Independent Cost Estimate for the scope associated with EM completion
CONFIGURATION CONTROL BOARD GUIDELINES				
19	3.1	Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures? Is the data contained in the BCP form auditable?	Yes	
20	3.2	Does the BCP include references to all relevant PBS?	Yes	
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	Yes	

I agree that this checklist accurately reflects the internal control system for the West Valley Demonstration Project (WVDP). The internal control system at the WVDP, upon completion of the actions required, will meet EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name: BRYAN C. BOWER
Signature: 
Date: 08-12-2006

MOAB PROJECT

ATTACHMENT A - CHECKLIST

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1.1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	Yes	No action required. Responsible person: Don Metzler, Moab Project Federal Project Director.
2	1.2	Who has the responsibility for recording the entry in the financial accounting system?	Yes	No action required. Responsible person: Brent Johansen, EM-CBC
3	1.3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	Yes	No action required. Responsible person: Don Metzler, Moab Project Federal Project Director, with support from the EM-CBC
4	1.3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping. Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	Yes Yes Yes	No action required. Work is performed via Task Order contract mechanism administered by the Office of Legacy Management (Contracting Officer provided by MA-643). Changes are recorded through Task Order Modifications and the EM BCP process. The Level 1 schedule and WBS map to the PBS. The Site will transition to a new EM contract administered by an EM CO.
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1.3 be followed to trace estimates back to their origin?	Yes Yes	Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements.
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability estimate at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after	Yes	No action required. Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements. Task Order Modifications are tracked & recorded and the Site

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?		follows the HQ BCP process
7	1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	N/A	None. Project has no non-EM waste.
8	1.7	Have long-term surveillance and monitoring (L.TSM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	Yes	No action required L.TSM PBS clearly identifies costs through 2070.
9	1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	No	No action required
BASELINE GUIDELINES				
10	2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	Yes	Activity Based Costing incorporates risk analysis. Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements. Project is pre-CD2.
11	2.2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	Yes Yes	The current baseline is consistent with CD-1 phase. Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements.
12	2.3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Yes	No action required.
13	2.4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	Yes Yes	No action required. A resource-loaded schedule and funding profile exist, commensurate with CD-1 phase.
14	2.5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	Yes Yes	Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements, and assumptions will be refined. Considerable uncertainty concerning transport assumptions exists.

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
15	2.6	Is there a review and approval process in place for the development of a baseline? Life-cycle planning estimates?	Yes Yes	Site will follow DOE O 413.3A process. No action required. Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements. Task Order Modifications are tracked & recorded and the Site follows the HQ BCP process.
16	2.7	Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workscope identified in PBSs? If so, is the transition date clearly documented and are the EM and non-EM costs clearly distinguished in PBSs and site documentation?	Yes Yes	Site will transition to Legacy Management in 2028. LTSM cost and scope are reflected in the ITSM PBS.
17	2.8	Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?	Yes To all	No action required. Estimates are prepared using the Cost Estimating Guide for Program and Project Management, DOE G430.1-1X. Its guidelines, including guidance on site overhead costs and contingency, are consistently applied.
18	2.9	Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?	Yes N/A Yes	Project is pre-CD2. A performance baseline will be developed per DOE O 413.3A requirements. Risks are identified and incorporated in estimates. This is not a line item construction project.
19	3.1	Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures? Is the data contained in the BCP form auditable?	Yes Yes	No action required. Site follows EM Change Control and Configuration Control Processes.
20	3.2	Does the BCP include references to all relevant PBS?	Yes	No action required.
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	Yes	No action required.

I agree that this checklist accurately reflects the internal control system for the Grand Junction Operations/Field Office. The internal control system at this Operations/Field Office meets the EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name: Donald Metzler
Signature: 
Date: Aug 4, 2006

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name: _____
Signature: _____
Date: _____

Oakland

ATTACHMENT A - CHECKLIST

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1.1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	yes	
2	1.2	Who has the responsibility for recording the entry in the financial accounting system?	yes	
3	1.3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	yes	
4	1.3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping. Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	yes	
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1.3 be followed to trace estimates back to their origin?	yes	
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability estimates at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?	yes	

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QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
7	1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	no	
8	1.7	Have long-term surveillance and monitoring (LTSM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	yes	
9	1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	no	
BASELINE GUIDELINES				
10	2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	yes	
11	2.2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	yes	
12	2.3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	yes	
13	2.4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	yes	
14	2.5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	yes	
15	2.6	Is there a review and approval process in place for the development of a baseline? Life-cycle planning estimates?	yes	
16	2.7	Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workscope identified in PBSs? If so, is the transition date clearly documented and are	yes	

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		the EM and non-EM costs clearly distinguished in PBSs and site documentation?		
17	2.8	Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?	yes	
18	2.9	Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?	yes	
CONFIGURATION CONTROL BOARD GUIDELINES				
19	3.1	Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures? Is the data contained in the BCP form auditable?	yes	
20	3.2	Does the BCP include references to all relevant PBS?	yes	
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	yes	

I agree that this checklist accurately reflects the internal control system for the Oakland Operations/Field Office. The internal control system at this Operations/Field Office meets the EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name:

Richard Daley

Signature:

[Handwritten Signature]

Date:

7/25/06

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name:

Signature:

Date:

**Portsmouth/Paducah Project Office
Internal Control Guidelines
and Review Checklist**

JULY 2006

OVERVIEW

The level of detailed audit work performed by financial auditors is determined in part by the confidence the auditors have in the quality of the system of internal controls over the area being audited. The higher the quality level of the system of internal controls, the higher the auditor's confidence level and, therefore, the level or sample size to be examined is commensurately smaller.

The wide range of financial activities within the Department of Energy (DOE) is closely controlled through a variety of DOE Orders. Most notably are DOE O 413.1A, "Management Control Program" and DOE P 413.1, "Program and Project Management Policy for the Planning, Programming, Budgeting, and Acquisition of Capital Assets." One of the objectives of DOE O 413.1A is to provide reasonable assurance that DOE's programs (and associated resources) are protected from waste, fraud, and mismanagement. The order further requires the Office of Environmental Management (EM), as well as others, to maintain a separate management control program. This guideline and checklist is a significant part of EM's management control program along with the business policies established by the Integrated Planning, Accountability and Budgeting System (IPABS) and the Configuration Control Process.

One of the major purposes of these guidelines and checklist is to assist the Paducah/Portsmouth Project Office (PPPO) in our annual management control review. Additionally we will ensure that statements of future liability are adequately supported, complete, and up-to-date.

1.0 GENERAL PROCESSES AND INTERNAL CONTROLS

These guidelines are an integral part of the general management control processes that are to be in place throughout DOE. EM Headquarters and Operations/Field Offices must have them in place to ensure that the internal control systems for estimating the EM environmental liability are reliable and provide reasonable assurance that the EM environmental liability estimate is reasonable.

- Guideline 1.1 Responsibility: PPPO must identify an organization and individual(s) who have the responsibility for developing the life-cycle planning estimates for EM.
- Guideline 1.2 PPPO must identify an organization and individual to record the entry in the financial accounting system. This will ensure that the appropriate adjustments are made prior to recording the entry.
- Guideline 1.3 PPPO must identify an organization and individual(s) who have lead responsibility for the overall management of the EM internal control system. This individual is responsible for ensuring that there is a documented relationship between the site's internal project management system and the life-cycle estimates provided in Project Baseline Summaries (PBSs). PPPO must be able to map our site's work breakdown structure to PBSs and describe how lower-level sub-project changes eventually get reflected in baselines and life-cycle planning estimates. PPPO must be able to describe and visually portray the process by which information in site baselines, project management systems, and other site documents is consolidated into the PBSs. The organization and individual(s) so identified will also ensure proper coordination and interface with the Field Office's management control point of contact.
- Guideline 1.4 Documentation: The organization and individual(s) identified in guideline 1.1 must ensure that adequate documentation exists to support the baseline information and life-cycle planning estimates.
- Guideline 1.5 Subsequent Events: Operations/Field Offices must be aware of the responsibility to update the liability estimate at the end of each Fiscal Year. PPPO should have a process to track those events that occur after the submission of the PBSs to Headquarters, but prior to the completion of the audit on the environmental liability portion of the financial statements that may significantly impact project life cycle estimates. Examples may include, but are not limited to, major regulatory events, major contractual events/changes, and/or major scope changes. At the end of the Fiscal Year, PPPO must document that we have reviewed our estimates for subsequent events. Findings of the review must be documented.
- Guideline 1.6 Newly-Generated Non-EM Waste Management Costs: When providing estimates of environmental liability, costs associated with significant quantities of newly-generated waste that are the result of non-EM operations should not be included in the statement. To the extent these costs appear in PBSs (because they are currently incurred by EM), they must be clearly identified in accordance with the most current life-cycle planning guidance so that appropriate adjustments can be made to record

the entry in the financial accounting system

- Guideline 1.7 Long-Term Surveillance and Monitoring (LTSM) (i.e., Stewardship) Costs: LTSM costs must be included in a PBS through 2070. These costs must be separately identified when part of a larger PBS. These costs must be included when the entry is recorded in the financial accounting system.
- Guideline 1.8 Program Direction Costs: No PBSs reported to Headquarters should contain program direction costs that are included in and budgeted for within the Headquarters Program Direction PBS. This guideline applies only to those program direction costs covered by the Headquarters PBS.

2.0 BASELINE GUIDELINES

These EM baseline guidelines reflect previously issued guidance and generally reflect good project management practices

- Guideline 2.1 Baseline Development and Estimating Process: PPPO must have a documented process for the development, submission, review, and approval of project baselines and life-cycle planning estimates.
- Guideline 2.2 Baseline Guidelines: PPPO should conform to DOE O 413.3, Change One, "Program and Project Management for the Acquisition of Capital Assets."
- Guideline 2.3 Estimate Quality: Estimates should conform to a graded approach. Estimates in the near term should be detailed estimates developed at the lowest levels of the work breakdown structure (WBS). In the outyears, estimates may become more parametric in nature (or be based on best professional judgement). Estimates in the outyears may also be developed at higher levels in the WBS.
- Guideline 2.4 Project Estimate Documentation: A tangible documentation file must be maintained to support cost, scope, and schedule estimates. The documentation file for the estimates must be traceable to the project baseline WBS. The basis of cost within the estimate must be traceable to the final cost estimate. The methodology for preparing cost estimates may vary from project to project and even within projects. Documentation associated with PBS changes will include a full crosswalk of the workscope, cost, and schedule from the old PBS to the new PBS.
- Guideline 2.5 Assumptions: All assumptions for the site baseline and the specific projects should be documented. Those assumptions that contribute the highest degree of uncertainty to the estimate should be noted. Assumptions should include those associated with productivity,

contingencies, burdening rates, and escalation

- Guideline 2.6 Review and Approval: The DOE Federal Project Director and contractor project managers must review and approve baseline and life-cycle planning estimates. All parties and information sources involved in preparing the cost estimate must be identified.
- Guideline 2.7 If another organization/entity (non-EM) is to assume responsibility for work currently managed by EM at a site, the Operations/Field Office documentation must identify the projected date when this transition will occur and make sure that all estimates clearly identify the EM component and the non-EM component. Examples of such activities might include site landlord responsibility, stewardship, newly-generated waste, and long-term surveillance and monitoring.
- Guideline 2.8 Site Cost Estimating Guidelines: Sites must have estimating guidelines, and they should be applied with consistency to baseline cost estimates. Site estimating guidelines should be consistently applied in estimating site overhead costs and contingency (for line item construction projects).
- Guideline 2.9 Each site shall perform an analysis of the uncertainties related to the total life-cycle cost of each site. The objective is to clarify the uncertainty in the life-cycle cost. This uncertainty can be included as a contingency cost within the PBSs for line item construction projects. However, sites cannot include contingency for operating project PBSs, consistent with EM's February 3, 2005, contingency policy. Alternatively, this uncertainty can be expressed as a range related to the life-cycle cost or some combination thereof. The actual techniques used to arrive at the range of cost should be consistent with the planning basis for the site. The process each site uses to develop the baseline boundary range shall be documented with key assumptions and decision points clearly stated.

3.0 CONFIGURATION CONTROL BOARD GUIDELINES

EM program elements and documents defined as essential for monitoring the scope, schedule, and cost of the EM program at the Headquarters level are managed and controlled through a formal configuration control board. These guidelines describe the elements necessary to implement the change control process for managing EM project baselines.

- Guideline 3.1 The PPPO will establish procedures for completing the Baseline Change Proposal (BCP) form that contains all data and information necessary to describe the change, justification for change, and its impact on baseline scope, schedule, cost, funding profile, budget authority, and performance measures. Data contained on the BCP form should be auditable.
- Guideline 3.2 The PPPO will ensure all BCPs include references to all relevant PBSs.
- Guideline 3.3 The PPPO will maintain files containing all dispositioned BCPs.

ATTACHMENT A - CHECKLIST

QUESTION #	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1.1	Who has the responsibility for developing the life-cycle planning estimates for the Portsmouth/Paducah Project Office (PPPO)?	Office of the Manager	PPPO M 413.1-1 Management Plan
2	1.2	Who has the responsibility for recording the entry in the financial accounting system?	EMCBC	
3	1.3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	Office of the Manager	
4	1.3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	Yes	PPPO M 413 1-1 Management Plan Some complexity exists since there are multiple contracts at both PORTS & PAD. Each contractor has a WBS, therefore multiple WBS roll up to PBS's
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1.3 be followed to trace estimates back to their origin?	Yes	
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability estimate at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after	Yes BCP	 BCP's by contractors or PPPO

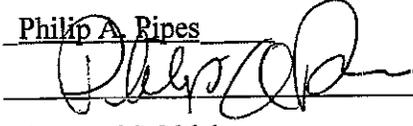
QUESTION #	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?		
7	1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	No N/A	
8	1.7	Have long-term surveillance and monitoring (LTSM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	Yes Yes Yes	Long-term S&M (LTSM) costs are included in PA – LTS & PO – LTS 2036-2070
9	1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	No	PD is not part of the PORTS or PAD PBS's. PD is PBS HQ-PP-0100 which is part of the budget RQ sent & tracked separately.
BASELINE GUIDELINES				
10	2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	Yes	DOE M413 & PPPO M413.1
11	2.2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	Yes Yes	
12	2.3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Yes	
13	2.4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	Yes Yes	Basis of estimates are included in the baseline submittals.
14	2.5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	Yes Yes	
15	2.6	Is there a review and approval process in	Yes	

QUESTION #	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		<p>place for the development of a baseline?</p> <p>Life-cycle planning estimates?</p>	<p>Yes</p>	
16	2.7	<p>Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workscope identified in PBSs?</p> <p>If so, is the transition date clearly documented and are the EM and non-EM costs clearly distinguished in PBSs and site documentation?</p>	<p>No</p> <p>N/A</p>	
17	2.8	<p>Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?</p>	<p>Yes</p>	
18	2.9	<p>Has each site estimated the uncertainty related to its life-cycle cost?</p> <p>Has the uncertainty been reflected as a contingency in line item construction projects?</p> <p>As a range on the total cost? Some combination thereof!</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The PPPO line-item construction project, DUF6 conversion project, costing _____ has been calculated to ensure an 80% confidence level that the project can be completed with funds available. Determination of the amount of cost required to meet this confidence level was performed through in-depth risk analysis and probability score-rating indexes.</p>
CONFIGURATION CONTROL BOARD GUIDELINES				
19	3.1	<p>Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures?</p>	<p>Yes</p>	

QUESTION #	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		Is the data contained in the BCP form auditable?	Yes	
20	3.2	Does the BCP include references to all relevant PBS?	Yes	
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	Yes	To date, no BCP's have been submitted for the new contractors' baselines.

I agree that this checklist accurately reflects the internal control system for the Portsmouth/Paducah Project Office. The internal control system at the PPPO meets the EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name: Philip A. Ripes
Signature: 
Date: August 22, 2006

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name: _____
Signature: _____
Date: _____

carlsbad

ATTACHMENT A - CHECKLIST

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1.1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	Yes, CBFO Lead Program Analyst	None
2	1.2	Who has the responsibility for recording the entry in the financial accounting system?	Yes, the allottee office	None
3	1.3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	Yes, CBFO Lead Program Analyst	None
4	1.3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping. Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	Yes, All WBS activities are traceable to the PBSs	None
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1.3 be followed to trace estimates back to their origin?	Yes	None
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability estimate at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?	Yes, all changes are incorporated during the	None

A-I

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
			annual planning process	
7	1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	N/A	None
8	1.7	Have long-term surveillance and monitoring (LTSM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	Yes	None
9	1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	Yes	None
BASELINE GUIDELINES				
10	2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	Yes	None
11	2.2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	Yes	None
12	2.3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Yes	None
13	2.4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	Yes	None
14	2.5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	Yes	None
15	2.6	Is there a review and approval process in place for the development of a baseline? Life-cycle planning estimates?	Yes	None
16	2.7	Is another organization/entity (non-EM) scheduled to assume responsibility for work	Yes	None

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		currently managed by EM and/or workscope identified in PBSs? If so, is the transition date clearly documented and are the EM and non-EM costs clearly distinguished in PBSs and site documentation?		
17	2.8	Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?	Yes	None
18	2.9	Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?	Yes the uncertainty has been estimated	None
CONFIGURATION CONTROL BOARD GUIDELINES				
19	3.1	Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures? Is the data contained in the BCP form auditable?	Yes	None
20	3.2	Does the BCP include references to all relevant PBSs?	Yes	None
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	Yes	None

I agree that this checklist accurately reflects the internal control system for the Carlsbad Field Office. The internal control system at this Operations/Field Office meets the EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name: *David C. Moody*, Field Office Manager

Signature: *David C. Moody*

Date: 7/27/06

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name: _____

Signature: _____

Date: _____

**CONSOLIDATED BUSINESS CENTER
JULY 2006**

ATTACHMENT A – CHECKLIST

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1	1.1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	Yes. CBC Office of Financial Management, OFM, Planning Team	
2	1.2	Who has the responsibility for recording the entry in the financial accounting system?	Yes CBC Office of Financial Management, OFM, Financial/Accounting Services Team	
3	1.3	Who has the responsibility for ensuring that the site has an internal control system in place to meet Headquarters planning and program management requirements? Who has responsibility for the site's management control program?	Yes CBC Office of Financial Management, OFM, Internal Review Team	
4	1.3	Is a documented relationship between the site's management system and the Project Baseline Summaries (PBSs) in place? What review/approval points exist? What processes are in place to ensure traceability? Can the Operations/Field Office map their PBSs into the site Work Breakdown Structure (WBS)? Explain any complexities associated with this mapping. Can the site visually articulate the flow of information from site systems (baselines, project management systems, and other site documentation) into the PBSs?	Yes The CBC has three PBSs to administer litigation and contract closeout functions for Closure Sites: CBC-0100-RF, CBC-0100-MD, CBC-0100-FN. Two additional PBSs are expected for UMIRA and Non-Defense sites: CBC-UM-0100, CBC-ND-0100 CBC does not manage these functions using a WBS.	
5	1.4	Does adequate documentation exist to support the baseline and life-cycle planning information submitted in PBSs? Can the process in 1.3 be followed to trace estimates back to their origin?	Yes	
6	1.5	Is the Operations/Field Office aware of the responsibility to update the liability	Yes CBC Office of Financial Management, OFM, Planning	

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		estimate at the end of each Fiscal Year? What processes are in place to track, report, and document changes that occur after PBSs are submitted to Headquarters, but prior to the end of the Fiscal Year?	Team has this responsibility BC Tool in IPABS	
7	1 6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	NA	
8	1 7	Have long-term surveillance and monitoring (LISM) costs been included in PBSs? Do they extend through 2070? Have these costs been clearly identified?	NA	
9	1 8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters?	NA CBC Office of Financial Management, OFM, Budget Team	
BASELINE GUIDELINES				
10	2 1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable?	NA DOE Order 413.3 requirements do not apply to the CBC administrative functions. However, a graded approach has been applied.	
11	2 2	Is the baseline consistent with DOE Order 413.3? Is the level of documentation commensurate with the complexity and maturity of the project?	Yes	
12	2 3	Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Yes	
13	2 4	Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?	NA	
14	2 5	Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?	NA	
15	2 6	Is there a review and approval process in place for the development of a baseline?	NA	

QUESTION	GUIDELINE #	Question	Guideline Met? Yes/No	Action Required
		Life-cycle planning estimates?		
16	2.7	Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workscope identified in PBSs? If so, is the transition date clearly documented and are the EM and non-EM costs clearly distinguished in PBSs and site documentation?	NA	
17	2.8	Are there site estimating guidelines in place? Are they consistently applied? Do they include guidance on how to apply site overhead costs? Contingency consistent with EM policy?	NA	
18	2.9	Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?	NA	
CONFIGURATION CONTROL BOARD GUIDELINES				
19	3.1	Does the baseline change proposal (BCP) form contain all data and information necessary to describe the change and its impacts on baseline scope, schedule, cost, funding profile, and performance measures? Is the data contained in the BCP form auditable?	Yes	
20	3.2	Does the BCP include references to all relevant PBS?	Yes	
21	3.3	Is there a file being maintained containing all dispositioned BCPs?	Yes. BC Tool in IPABS	

I agree that this checklist accurately reflects the internal control system for the **Consolidated Business Office**. The internal control system at this Office meets the EM project management guidelines as set forth in the EM Internal Control Guidelines and is consistent with the management control program requirements.

Operations/Field Office Representative (see Guideline 1.3)

Name: **C. Lance Schlag, Assistant Director, Office of Financial Management, CBC**

Signature: *C. Lance Schlag*

Date: 8/25/06

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name: _____

Signature: _____

Date: _____

FY 2006 INDEX AND CROSSWALK FOR ACTION PLANS

ENVIRONMENTAL MANAGEMENT CONSOLIDATED BUSINESS CENTER

OHIO FIELD OFFICE

PROGRAM/ ADMINISTRATIVE FUNCTION	TITLE	HQ ORG	OPEN/ CLOSED	PAGE NO.
Environmental Management	Potential Impact Due to Filter Bed Certification at Columbus Closure Site	EM	Open	1-2
Environmental Management	Lack of Permanent Disposal Site for Fernald Closure Project Silo 1 and 2 Waste	EM	Open	3-4
Environmental Management	Settlement of the State of Ohio 1986 Natural Resources Damages Law Suit at Fernald Closure Project	EM	Open	5-6
Environmental Management	Potential Cost to Remediate Existing Landfill at Miamisburg/Mound Closure Project	EM	Open	7-8

ROCKY FLATS PROJECT OFFICE

Environmental Management	Potential Water Quality Exceedence Due to a Non-Pont Source	EM	Closeed	1-3
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PORTSMOUTH / PADUCAH PROJECT OFFICE

Environmental Management	Paducah DOE Material Storage Areas	EM	Open	2-3
Environmental Management	Cold Standby Program at the Portsmouth Gaseous Diffusion Plant	EM	Closed	4-5
Environmental Management	Depleted Uranium Hexafluoride Conversion	EM	Open	6-7

**ENVIRONMENTAL MANAGEMENT CONSOLIDATED BUSINESS CENTER
2006 FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT
REPORTABLE PROBLEMS**

The Environmental Management Consolidated Business Center management review of the management controls discloses the following reportable problems

ENVIRONMENTAL MANAGEMENT

Columbus Closure Project

Potential Impact Due to Bed Certification at Columbus Closure Project

As part of the Columbus Closure Project (CCP) scope of work, DOE and its Contractor, were required to remediate the filter bed area. The CCP has completed the remediation of the filter bed area and has certified that it meets cleanup levels. Since the project has completed, this is no longer a reportable problem.

Fernald Closure Project

Lack of Permanent Disposal Site for Fernald Closure Project Silo 1 and 2 Waste

The Fernald Closure Project Silo 1 and 2 waste contains radioactive waste that will need a specific final disposal site. In April 2004, the State of Nevada Attorney General threatened to sue the Department of Energy due to allegations that the disposal of the material at the Nevada Test Site was illegal. This caused the project to find an alternative disposal site for the Silo material. Although finding alternative waste disposal or interim waste storage sites mitigated the impact to the project, one residual problem still exists. It was determined that:

Silo 1 & 2 material could be stored for the interim in Texas at Waste Control Specialists (WCS). The project has placed a contract with WCS and shipment of waste has been completed. The one remaining problem is that WCS has not received a disposal license from the State of Texas and therefore there remains a risk that the 3800 containers (six foot by six foot canisters) of Silo 1 & 2 waste material will be orphaned in Texas. There is no other disposal site (except the Nevada Test Site) for this material. WCS has applied for and expects to receive a disposal license within the next 12 months. Therefore final disposal of these wastes represents a potential impact to the Department long term waste disposal strategy.

Silo 3 material met the Waste Acceptance Criteria for disposal at Energy Solutions of Utah. The project has placed a contract with Energy Solutions and waste packaging, shipping and disposal is complete.

Settlement of the State of Ohio 1986 Natural Resources Damages Law Suit at Fernald Closure Project

Settlement of the State of Ohio Natural Resources Damages (NRD) Law Suit: DOE and the Ohio Attorney General's Office (OAG) have been attempting to settle a 1986 NRD lawsuit. Various offers and rejections of offers have transpired over the last two years. As a result, the Federal Judge overseeing the proceedings has set the case for discovery and trial. In an attempt to avoid lengthy and costly litigation, DOE has recently made what they consider to be the best and final offer to the State of Ohio. The majority of the scope in the terms of settlement has already been accomplished and implemented. Ohio is most concerned related to the enforceability of the educational components of the settlement. If settlement is not obtained, litigation and trial proceeds and if the State of Ohio prevails on the merits of the case, a large monetary compensation would most likely be requested by the State.

Miamisburg/Mound Closure Project

Potential Cost to Remediated Existing Landfill at Miamisburg/Mound Closure Project

The Miamisburg Closure Project (MCP) has been directed by Congress to exhume the existing landfill, Operable Unit 1 (OU1) at the Mound site and has provided funding in the amount of \$30 million. The Department is in the process of competitively bidding the scope of work and should award a contract by the end of the fiscal year. Remediation work should complete by the end of Fiscal Year 2007. Although this direction by Congress has delayed the completion of the MCP, the work accomplished by the remediation contractor responsible for the vast majority of the cleanup has been completed and the Department is validating their claim of physical completion.

FY 2005 INDEX AND CROSSWALK FOR ACTION PLANS

ENVIRONMENTAL MANAGEMENT CONSOLIDATED BUSINESS CENTER

New Action Plans for current FY Assurance Memorandum:

PROGRAM ADMINISTRATIVE FUNCTION	TITLE	HQ ORG	OPEN/ CLOSED	PAGE NO.
Environmental Management	Potential Impact Due to Filter Bed Certification at Columbus Closure Site	EM	Closed	1-2
Environmental Management	Lack of Permanent Disposal Site for Fernald Closure Project Silo 1 and 2 Waste	EM	Open	3-4
Environmental Management	Settlement of the State of Ohio 1986 Natural Resources Damages Law Suit at Fernald Closure Project	EM	Open	5-6
Environmental Management	Potential Cost to Remediate Existing Landfill at Miamisburg/Mound Closure Project	EM	Closed	7-8

ACTION PLAN

Environmental Management Consolidated Business Center August 12, 2005

Title: Potential Impact Due to Filter Bed Certification at Columbus Closure Site
Action Plan: _____ Reportable Problem: X Reportable Nonconformance:
HQ Organization: EM-1 Program/Admin Function: Environmental Management

Description: As part of the Columbus Closure Project (CCP) scope of work, DOE and its Contractor were required to remediate the filter bed area. The CCP has completed the remediation of the filter bed area and has certified the adequacy of the remediation using a computer modeling system known as RESRAD. The Contractor has completed the remediation of the CCP and the Independent Verification Contractor has validated the accomplishment through records reviews and independent sampling test results.

Assessment of Progress: This impact has been removed since the entire Project has been completed

Critical Milestones	Original Target Completion Month/Year	Revised Target Or Actual Month/Year
1 Closure Services complete RESRAD Assessment	08/05	2/06
2 Present RESRAD results to NRC	08/05	2/06
3 Present RESRAD results to BMI	08/05	2/06
4 Reach agreement to close site	09/05	7/06

Success Indicator for Closed Corrective Action Plans:

The CCP has been completed

Is plan closed? Yes No, not applicable

Name: Bill Taylor

Title: Acting Manager, Ohio Field Office

Date: August 4, 2006

ACTION PLAN

Environmental Management Consolidated Business Center August 12, 2005

Title: Lack of Permanent Disposal Site for Fernald Closure Project Silo 1 and 2 Waste
Action Plan: _____ Reportable Problem: X Reportable Nonconformance:
HQ Organization: EM-1 Program/Admin Function: Environmental Management

Description: The Fernald Closure Project Silo 1 and 2 waste contains radioactive waste that will need a specific final disposal site. In April 2004, the State of Nevada Attorney General threatened to sue the Department of Energy due to allegations that disposal of the material at the Nevada Test Site was illegal. This caused the project to find an alternative disposal or interim storage site for the Silo material. Although finding an alternative interim waste storage site mitigated the impact to the project, one residual problem still exists. It was determined that:

Silo 1 and 2 material could be stored for the interim in Texas at Waste Control Specialists (WCS). The project has placed a contract with WCS and all of the waste has shipped and is on a controlled storage pad. The one remaining problem is that WCS has not received a disposal license from the State of Texas and therefore there remains a risk that the 3800 containers (six foot by six foot canisters) of Silo 1 & 2 waste material will be orphaned in Texas. There is no other disposal site (except the Nevada Test Site) for this material. WCS has applied for and expects to receive a disposal license within the next 12 months. Senior DOE management is aware there exists a possibility that disposal at WCS may not occur and alternative plans are being studied.

Silo 3 material met the Waste Acceptance Criteria for disposal at Energy Solutions of Utah. The project has placed a contract with Energy Solutions and waste packaging, shipping and disposal has been completed.

Assessment of Progress: The Silo 1 & 2 Treatment Facility started operations on May 19, 2005. The first shipment was made June 6, 2005 and the final shipment was made on May 26, 2006. WCS has made application and is in the process of obtaining a permanent disposal license for the Silo 1 & 2 material. The Regulatory requirement that has been imposed on the Silo 1 & 2 material by U.S. Environmental Protection Agency is that the material can only be in interim storage for 2 years from the day the first containers are placed in interim storage. If WCS does not obtain a license for permanent disposition of the material by June 6, 1997, DOE will be required to establish an alternate disposition path or be subject to fines and penalties.

<u>Critical Milestones</u>	<u>Original Target Completion Month/Year</u>	<u>Revised Target Or Actual Month/Year</u>
1 Silo 3 material waste disposal	12/05	4/06
2 Silos 1 & 2 material interim stored	12/05	5/06
3 Find critical path to disposing Silos 1 & 2 waste	12/04	7/06
4 Determine final disposition of the waste	09/06	

Success Indicator for Closed Corrective Action Plans:

Is plan closed? _____ Yes X No, not applicable

Name: Bill Taylor

Title: Acting Manager, Ohio Field Office

Date: August 4, 2006

ACTION PLAN

**Environmental Management Consolidated Business Center
August 4, 2006**

Title: Settlement of the State of Ohio 1986 Natural Resources Damages Law Suit at Fernald Closure Project

Action Plan: _____ Reportable Problem: X Reportable Nonconformance:
HQ Organization: EM-I Program/Admin Function: Environmental Management

Description: Settlement of the State of Ohio Natural Resources Damages (NRD) Law Suit: DOE and the Ohio Attorney General's Office (OAG) have been attempting to settle a 1986 NRD lawsuit. Various offers and rejections of offers have transpired over the last two years. As a result, the Federal Judge overseeing the proceedings has set the case for discovery and trial. In an attempt to avoid lengthy and costly litigation, DOE made what they consider to be the best and final offer to the State of Ohio. The majority of the scope in the terms of settlement has already been accomplished and implemented. Ohio is most concerned related to the enforceability of the educational components of the settlement. If settlement is not obtained, litigation and trial proceeds and if the State of Ohio prevails on the merits of the case, a large monetary compensation would most likely be requested by the State.

Assessment of Progress: A Best and Final Offer has been submitted to the OAG. The US Department of Justice (USDOJ) and the DOE consider both sides to be reasonably close to agreement on the terms of Settlement. The USDOJ initiated and completed the discovery process in March 2006. The Judge overseeing the case had set trial for June 7, 2006. The trial date has been postponed to allow Settlement discussions. A status meeting with the Judge has been scheduled for December 2006.

	Original Target Completion Month/Year	Revised Target Or Actual Month/Year
1 Meet with Ohio related to Offer	8/16/05	09/1/-6
2 Initiate Discovery through Interrogatories	6/8/05	Complete
3 Agree on Terms of Settlement	6/1/05	12/31/06
4 Prepare for Trial	NA	12/31/06

Success Indicator for Closed Corrective Action Plans:

Is plan closed? _____ Yes X No, not applicable

Name: Bill Taylor

Title: Acting Manager, Ohio Field Office

Date: August 4, 2006

ACTION PLAN

Environmental Management Consolidated Business Center August 12, 2005

Title: Potential Cost to Remediated Existing Landfill at Miamisburg/Mound Closure Project

Action Plan: _____ Reportable Problem: X Reportable Nonconformance:
HQ Organization: EM-1 Program/Admin Function: Environmental Management

Description: The Miamisburg Closure Project (MCP) has been directed by Congress to exhume the OU-1 landfill. An appropriation of \$30 million has been provided to perform the work.

Assessment of Progress: The project has developed a statement of work and issued a Request for Task Proposal to the Environmental Management ID/IQ small business set aside contractors. Bids are due on August 18, 2006 with a scheduled award of the contract scheduled for September 30, 2006. Work is expected to begin during the fall 2006 and complete by September 30, 2007.

<u>Critical Milestones</u>	<u>Original Target Completion Month/Year</u>	<u>Revised Target Or Actual Month/Year</u>
1 Congress Determination	10/05	11/05
2 Extension of Contract if exhumation required	06/08	N/A
3 Start Exhumation Work	06/06	09/06

Success Indicator for Closed Corrective Action Plans: This corrective action plan has been changed to develop a special project to exhume the OU-1 site to the extent allowed by a funding ceiling of \$30 million that was appropriated by Congress. The project has developed a scope of work and has initiated the procurement process to award a contract by 9/30/06.

Is plan closed? X Yes No, not applicable

Name: Bill Taylor

Title: Acting Manager, Ohio Field Office

Date: August 4, 2006

ACTION PLAN

Rocky Flats Project Office
July 24, 2006

Title: Potential Water Quality Exceedence Due to a Non-Point Source

Action Plan: Reportable Problem: X Reportable Nonconformance:
HQ Organization: EM-33 Program/Admin. Function: Environmental Restoration

Description: A significant aspect of the Rocky Flats Environmental Technology Site (Site) closure is the surface water quality standard. The State of Colorado standard is 0.15 picocuries per liter for plutonium and americium, a standard based on a risk of one resident cancer risk per million people assuming no restrictions on future use of the water (CERCLA sets a risk range of 1 in ten thousand to one in one million.)

Analyses performed in 1997 on surface water leaving the Site indicated a possible exceedence of the plutonium surface water standard as incorporated into the Rocky Flats Cleanup Agreement (RFCA). The Site conducted an investigation to try to determine the cause of the elevated levels and concluded that a non-point source attributed to the former Site Industrial Area (which included plutonium processing facilities) was likely to have contributed to the increased plutonium levels. In addition, there have been several instances where elevated levels of plutonium have been found in surface water collected in and near the Industrial Area. These have similarly been investigated and attributed to non-point sources.

There is a potential future liability associated with meeting the surface water quality standard. The Site retained the Actinide Migration Evaluation (AME), a team of independent experts on actinide geochemistry, to advise it on how the migration of plutonium and other actinides in surface water can be controlled, among other topics. In general, the AME found that reduction of erosion and the use of water management structures, such as ponds and ditches, are helpful in assuring that the Site will meet the surface water standard for plutonium over the long term. The Site has also conducted a Water Balance Study to help determine the flow regimes that will likely occur after closure, which in turn will help determine water management options. Additionally, firm understandings have been reached with the State and EPA regulators regarding where the monitoring points for plutonium will be located and how compliance with the standard will be determined for water on and off-Site. These understandings are reflected in the modifications to RFCA Attachment 5, finalized in June 2003.

DOE will need to continue water management activities at Rocky Flats following closure to ensure long-term compliance with this standard. This issue was addressed in the Draft Rocky Flats Long-Term Stewardship Strategy, released in June 2003.

The public, in particular representatives of downstream municipalities, continues to be interested in water quality management at Rocky Flats.

Assessment of Progress: The AME investigations are complete, as is the Sitewide Water Balance. As part of Site closure, the Site was re-contoured and re-vegetated to place it in a configuration to reduce erosion, consistent with the recommendations of the AME. As part of this re-configuration, six engineered functional channels, specifically designed to enhance the stability of the site and protect the remedies already in place, were installed by the closure contractor. Prior to accepting the contractor's declaration of physical completion, DOE Rocky Flats Program Office (RFPO) staff conducted thorough walk-downs of the contractor's efforts in this area, including the functional channels, other re-contouring and re-vegetation work. The RFPO review also included an extensive review of water quality data. After giving the contractor a punch list of water-quality-related items to complete, and verifying the completion of these items, RFPO accepted the contractor's declaration of physical completion.

Responsibility for water management at Rocky Flats has been transitioned to the DOE Office of Legacy Management (LM). LM is continuing routine operations (monitoring and pond operations) under the auspices of an Interim Surveillance and Maintenance Plan (ISMP), expected to become part of the long-term agreement now being negotiated with EPA and the State of Colorado. LM has engaged in ongoing consultation with interested stakeholders on water quality issues, including through the newly-established Local Stakeholder Organization, which includes representatives from downstream communities. Data collected since 2005 indicate compliance with the State of Colorado standard, and overall effectiveness of the water management actions put into place as part of Site closure. While monitoring and water management will continue routinely as part of long-term Site operations, this plan is now considered closed.

<u>Critical Milestones:</u>	Original Target Completion Month/Yr.	Revised Target Completion Month/Yr.
1. Through the WMCP collaborative process, an alternative methodology to determine compliance with the radiological action levels will be negotiated	11/98	6/03
2. Develop and share with the public and regulators a Site water management strategy	9/99	9/05 (LM ISMP; complete)
3. Completion of the Water Quality Studies listed above	9/02 (complete)	

Success Indicator for Closed Corrective Action Plans:

All necessary water quality studies are complete, as are the needed revisions to regulatory document. All physical closure actions relating to water quality management were completed by the contractor and verified by DOE-RFPO. The water management program has been successfully transitioned to DOE-LM, who continue to consult with regulators and the public. Recent water quality data show compliance with standards for plutonium and americium, indicating the success of the controls that were implemented

Is plan closed? Yes No, not applicable

Name: John J. Rampe

Title: Director, RFPO Closure Project Management

Date: July 24, 2006

FY 2006 INDEX AND CROSSWALK FOR ACTION PLANS

PORTSMOUTH/PADUCAH PROJECT OFFICE

PROGRAM/ ADMINISTRATIVE FUNCTION	TITLE	HQ ORG	OPEN/ CLOSED	PG #
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Action Plans Submitted with prior FY Assurance Memorandums:

Environmental Management	Paducah DOE Material Storage Areas	EM	Open	2-3
Environmental Management	Cold Standby Program at the Portsmouth Gaseous Diffusion Plant	EM	Closed	4-5
Environmental Management	Depleted Uranium Hexafluoride Conversion	EM	Open	6-7

ACTION PLAN
Portsmouth/Paducah Project Office

TITLE: Paducah DOE Material Storage Areas

ACTION PLAN: Reportable Problem X Reportable Nonconformance

HQ Organization: Environmental Management Program Function: Environmental Management

DESCRIPTION: The Paducah Gaseous Diffusion Plant has 160 DOE material storage areas (DMSAs) that were originally leased to the United States Enrichment Corporation (USEC) but were returned, via de leasing, to DOE. This de leasing originally occurred in December 1996 to return unneeded equipment and material to DOE to facilitate the certification of the USEC operation by the Nuclear Regulatory Commission.

The Kentucky Natural Resources and Environmental Protection Cabinet (Cabinet), the United States Environmental Protection Agency, and the United States Department of Justice made inspections of the DMSAs during the summer of 2000. DOE was issued a notice of violation (NOV) on September 5, 2000, by the Cabinet alleging failure to comply with the site's Resource Conservation and Recovery Act (RCRA) permit and with state hazardous waste regulations. The notice of violation required DOE to develop a DMSA Characterization Work Plan which would contain schedules for characterization, proper storage, and final disposition of all solid and hazardous wastes managed in the DMSAs.

ASSESSMENT OF PROGRESS: An Agreed Order was filed with the Cabinet in October 2003 to resolve the DMSA NOV. The Agreed Order approved a Characterization/Sampling and Analysis Plan for the waste stored in the DMSAs. The Characterization/Sampling and Analysis Plan specifies characterization requirements for the DMSAs, including enforceable requirements.

At the end of FY 2004, characterization of DMSAs identified in the Agreed Order as Priority A DMSAs (including C-400-05) was completed on schedule. Additionally, the material from 14 of 17 outdoor DMSAs was processed and packaged for disposal.

ORIGINAL	REVISED
TARGET	TARGET
COMPLETION	COMPLETION

CRITICAL MILESTONES:

MONTH/YEAR MONTH/YEAR

1. Submit additional solid waste management unit notifications

10/2000
COMPLETE

<u>CRITICAL MILESTONES:</u>	ORIGINAL	REVISED
	TARGET COMPLETION	TARGET COMPLETION
	<u>MONTH/YEAR</u>	<u>MONTH/YEAR</u>
2. Crews begin preliminary field work	11/2000 COMPLETE	
3. Submit Work Plan to the State	12/2000 COMPLETE	
4. Receive State approval of the Work Plan (approval of the Characterization/Sampling and Analysis Plan)	02/2001	10/2003 COMPLETE
5. Complete characterization of all Priority A DMSAs*	**	09/2004 COMPLETE
6. Complete characterization of all Priority B DMSAs*	**	09/2006
7. Complete characterization of all Priority C DMSAs*	**	09/2009
8. Crews complete characterization field work	11/2003	09/2009
9. Waste treatment completed	11/2004	09/2010
10. Waste disposal completed	11/2005	09/2010

- * - From Agreed Order, Paragraph 66
- ** - No Original Target Completion Date

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed? ___ Yes X No

RESPONSIBLE OFFICIAL(S):

Name: William E. Murphie

Title: Manager, Portsmouth Paducah Project Office

Date: August 21, 2006

ACTION PLAN
Portsmouth/Paducah Project Office

TITLE: Cold Standby Program at the Portsmouth Gaseous Diffusion Plant

ACTION PLAN: Reportable Problem X Reportable Nonconformance __

HQ Organization: Environmental Management Program Function: Environmental Management

DESCRIPTION: The Portsmouth Gaseous Diffusion Plant was built in the 1950s in response to the increasing demand for enriched uranium for national security and energy security purposes. This facility and its companion plant in Paducah, Kentucky provided the only enriched uranium processing capability in the United States. In 1993, DOE leased both facilities to the United States Enrichment Corporation (USEC). In May 2001, due to reductions in the commercial market for enriched uranium, USEC ceased enriching operations at the Portsmouth site. Later in that same year, concerned about the energy security implications of relying solely on the Paducah plant, DOE awarded USEC a sole source temporary contract to immediately place the plant in a "cold standby" condition, essentially a condition in which operations could be resumed within a period of 18 months to two years. The goal of the Cold Standby (CSB) Program was to maintain the plant in a usable condition until a long-term option became available to sustain the Nation's uranium enrichment capability.

The Office of Inspector General conducted an audit during FY 2003 to determine whether DOE has effectively managed the Portsmouth CSB Program. The audit report was formally issued in December 2003. The IG audit reported that DOE has not established a well-defined endpoint and a formalized process for assessing the continuing need for the CSB Program in order to reduce the possibility for unnecessary extensions of the program or potential disruptions in the supply of enriched uranium. The IG report contained several recommendations, which are summarized below.

ASSESSMENT OF PROGRESS: DOE has decided to terminate the CSB Program. This decision was approved by the Under Secretary of Energy on April 16, 2004. The termination was effective on October 1, 2005. All IG Recommendations are considered complete and closed. From 2006 through 2008, DOE will shutdown the Gaseous Diffusion Plant facilities and transition them to final Decontamination and Decommissioning.

	ORIGINAL TARGET COMPLETION	REVISED TARGET COMPLETION
<u>CRITICAL MILESTONES:</u>	<u>MONTH/YEAR</u>	<u>MONTH/YEAR</u>
1. Reevaluate the CSB Program mission need through a documented process, factoring in restart costs, programmatic risks, impact on site closure and alternative supply services. (IG Recommendation #1)	06/2010 COMPLETE	
2. Eliminate organizational conflict at Portsmouth by consolidating program activities under a single Department entity. (IG Recommendation #2)	06/2010 COMPLETE	
3. Conduct an evaluation of services already provided under existing USEC agreements, and not purchase the same items under the Cold Standby Program Contract. (IG Recommendation #3)	06/2010 COMPLETE	
4. Negotiate a performance-based contract with cost ceilings. (IG Recommendation #4)	06/2010 COMPLETE	
5. Establish a programmatic baseline for the Cold Standby Program. (IG Recommendation #5)	06/2010 COMPLETE	

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed? Yes No

RESPONSIBLE OFFICIAL(S):

Name: William E. Murphie

Title: Manager, Portsmouth Paducah Project Office

Date: August 21, 2006

ACTION PLAN
Portsmouth/Paducah Project Office

TITLE: Depleted Uranium Hexafluoride Conversion

ACTION PLAN: Reportable Problem X Reportable Nonconformance __

HQ Organization: Environmental Management Program Function: Environmental Management

DESCRIPTION: For over 30 years, DOE operated gaseous diffusion plants in Oak Ridge, Tennessee; Portsmouth, Ohio; and Paducah, Kentucky, to meet its enriched uranium needs. As a co-product of the enrichment process, about 704,000 metric tons of depleted uranium hexafluoride were generated and stored in approximately 58,000 cylinders at the enrichment plants. While the cylinders are currently stored with little risk to the workers, the public, and the environment, they are gradually deteriorating. Prolonged storage has the potential to increase DOE's safety and health risks from handling operations, natural disasters, or malicious acts. Legislation requires the construction of facilities at Portsmouth and Paducah to convert DOE's depleted uranium hexafluoride to a more stable form for reuse or disposal. Based on the project execution plan, DOE expects to complete the conversion of all depleted uranium hexafluoride over the next 25 years at a cost of \$2.6 billion, including decontamination and decommissioning of the conversion facilities.

The Inspector General (IG) conducted an audit during FY 2004 to determine whether DOE has implemented an efficient plan for conversion of its depleted uranium hexafluoride inventory. The IG audit concluded that DOE's plan for converting depleted uranium hexafluoride inventories could be improved by adding an additional conversion line to the Portsmouth facility. The IG concluded that by adding another conversion line, Portsmouth could process 4,500 metric tons of additional material annually and complete the project nearly 5 years earlier than planned. The IG suggested the facility size was not optimized because DOE's acquisition strategy emphasized initial capital costs rather than minimizing life-cycle costs. Furthermore, the IG reasoned by increasing the production capacity at Portsmouth, DOE could shorten the duration of the Portsmouth conversion project by about 5 years and save about \$55 million.

ASSESSMENT OF PROGRESS: February 4, 2004 and June 10, 2004 memoranda from Jessie Roberson, EM-1, to the Office of the Inspector General indicated DOE's agreement with the basic thrust of the IG report that identified cost savings by processing more material per year. The US Army Corp of Engineers (USACE) conducted a cost and schedule study of the project baseline. As part of the review, USACE recommended the addition of a fourth line at Portsmouth. However, DOE initiated a pilot project to determine the viability of a transfer of depleted uranium hexafluoride to private entities for use in the utility market. Based on current estimates, as much as 40% of the depleted uranium hexafluoride inventory may have sufficient marketability to the commercial

market. The sale or transfer of marketable depleted uranium hexafluoride would greatly reduce DOE's liability and would reduce the operation period by about 8 years.

The contractor has estimated an \$18M increase in cost and an additional six months to complete construction. This would present a large project risk to the approved baseline.

With uncertainty in the amount of material needing to be processed, the major negative cost and schedule impacts the construction of additional capacity is not warranted.

	ORIGINAL TARGET COMPLETION	REVISED TARGET COMPLETION
<u>CRITICAL MILESTONES:</u>	<u>MONTH/YEAR</u>	<u>MONTH/YEAR</u>
1. Conduct a cost-benefit analysis to determine the optimum size and operation of the Portsmouth depleted uranium hexafluoride conversion facility	01/2005	06/2005 COMPLETE
2. Prepare a baseline change proposal (BCP) for approval following CD-2/3. Negotiate a contract modification following approval of the BCP	08/2006	09/2007

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed? ___ Yes X No

RESPONSIBLE OFFICIAL(S):

Name: William E. Murphie

Title: Manager, Portsmouth Paducah Project Office

Date: August 21, 2006