

United States Government**Department of Energy****memorandum****Richland Operations Office**

DATE: 'AUG 22 2006'

REPLY TO
ATTN OF: PIC:RLG/06-PIC-0015SUBJECT: FISCAL YEAR (FY) 2006 MANAGEMENT CONTROL AND FINANCIAL
MANAGEMENT SYSTEM REVIEWTO: James A. Rispoli, Assistant Secretary
for Environmental Management
EM-1, HQ

In accordance with the DOE-HQ memorandum to Distribution from C. E. Anderson, EM-2, "Fiscal Year 2006 Performance and Accountability Report," dated July 3, 2006, and the Federal Manager's Financial Integrity Act, I have completed a summary review of management controls for the DOE Richland Operations Office (RL) in effect for the fiscal year ending September 30, 2006. The review was performed in conformance with DOE guidelines and the above referenced memorandum, and included a review of whether the management controls were in compliance with underlying management principles which incorporate the General Accounting Office's (GAO) "Standards for Internal Controls in the Federal Government." The review included the consideration of results of GAO, Office of Inspector General (OIG), and other audit reports, internal management reviews, computer security evaluations, assurances of contractors under my cognizance, and all other known information regarding the status of management controls. In addition, this review considered the areas of environmental management, nuclear safety management, and non-nuclear safety management. The results of this review indicate there is reasonable assurance that management controls are working effectively, and that program and administrative functions are performed in an economical and efficient manner consistent with applicable laws, that property, funds, and other resources are safeguarded against waste, loss, unauthorized use or misappropriation, that obligations and costs are proper, and that accountability for assets is maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for undetected errors or irregularities.

In order to validate that all emerging issues and reportable problems have been identified, RL project risks were reviewed in detail during the development of the cross-cutting and sensitive areas of each RL project office. These risks had previously been identified in the respective project execution plans and ongoing reviews continue. The risk analysis looked at the remaining project scope to assess any potential impacts, especially those related to environmental management, nuclear safety management, non-nuclear (industrial) health and safety management, and safeguards and security. No reportable problems were identified from this effort. The review described above did not disclose any new reportable problems this fiscal year.

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NEW REPORTABLE PROBLEMS IDENTIFIED IN FY 2006

None.

PROBLEMS REPORTED IN FY 2005 WHICH REMAIN OPEN

GAO Audit as part of DOE Complex Design Basis Threat (DBT) - During 2005, GAO auditors visited Hanford as part of a function wide review of DOE's Office of Energy, Science, and Environment ability to meet the new DBT. As a result there were four recommendations for improvement. Fluor Hanford, Inc. (FHI) has completed the actions outlined in their corrective action plan. However, one of the activities did not produce the desired outcome; therefore, an additional action is underway to implement the recommendation. This action is scheduled to be completed by the end of the 2006 calendar year. Because this audit was conducted across the DOE complex and did not, nor was ever intended to, focus strictly on RL, an RL Action Plan for this problem was not prepared.

OIG Information Technology Audit - One repeat finding from the FY 2004 audit was closed this past year. This previously reported problem remains open in this report until closed by the OIG.

REPORTABLE PROBLEMS CLOSED IN FY 2006

No reportable problems reported in FY 2005 were closed.

FY 2006 FINANCIAL MANAGEMENT SYSTEM REVIEW

A limited/local review of the Departmental standardized financial management system and its components used by RL and the DOE Office of River Protection (ORP) has been completed in accordance with DOE Order 413.1A. The DOE financial management system and processes are owned and managed by the DOE-HQ Chief Financial Officer, therefore, our review addresses RL local systems and processes that are owned and managed by RL. Although issues have been noted with the transition to the Department's new financial system, the results of our evaluation of the information at our disposal indicated that to the best of our knowledge and belief, the financial management system as it serves our local processes, generally conforms to the principles and standards developed by the GAO, Office of Management and Budget, and legal and regulatory requirements, as appropriate. Additionally, the results of the FY 2006 contractor financial system adequacy reviews indicate the financial management systems of RL's major prime contractors are in general conformance with DOE's accounting policies and procedures. Our reviews did not disclose any reportable non-conformances.

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EMERGING ISSUES

Continuing/Emerging Issues for FY 2006-Office of Chief Counsel (OCC) Summary Management Review

- State of Washington v. Bodman, et al, 2003 (Offsite Waste Litigation- State) - DOE requested that the Department of Justice (DOJ) appeal the decision of the U.S. District Court for the Eastern District of Washington on the interpretation of the Waste Isolation Pilot Project and Withdrawal Act Amendments Act and the Washington Hazardous Waste Management Act, and regulatory provisions applicable to Hanford's transuranic mixed waste. The district court decision became final on January 10, 2006, upon settlement of the National Environmental Policy Act portion of the case. Notice of Appeal (NOA) to the Federal 9th Circuit Court of Appeals has been filed. The Appeal Brief on the part of the United States is due to be filed August 4, 2006.
- U.S. Department of Energy v. State of Washington (Treatability Studies Litigation) - On September 21, 2004, the State of Washington Department of Ecology (Ecology) issued an Administrative Order (AO) and Notice of Penalty (NOP) to RL, ORP, FHI, and Duratek Federal alleging four waste management violations of the Washington Administrative Code. The NOP assessed a penalty of \$270,000. The central issue in this case involves materials returned to Hanford from the Savannah River National Lab under the Resource and Conservation and Recovery Acts treatability study sample exclusion. Ecology contended that materials such as personal protective equipment, glassware, pipettes, booties, gloves, etc., were not "residue" under this exclusion but were wastes that were shipped back to Hanford without manifests. Appellants contend that "residue generated by the treatability study" includes any materials that come into contact with the sample during performance of the study. DOE filed a NOA with the Washington State Pollution Control Hearings Board (PCHB). Discovery has taken place and Appellants (DOE, FHI, Duratek, and CH2M HILL) and Ecology filed cross-motions for summary judgment, primarily on the issue of what constitutes a residue under the treatability study exclusion. On June 30, 2006, the PCHB denied our motion and granted summary judgment to the State, upholding its more narrow definition. Therefore, under this decision, although residues from the chemical processes may be returned under the exclusion without being manifested as hazardous waste, the contaminated lab equipment would have to be manifested but cannot be returned to Hanford under the terms of Judge McDonald's preliminary injunction in State v. Bodman and the settlement agreement suspending shipments of offsite low-level waste/mixed low-level waste and transuranic mixed waste until the Tank Closure and Waste Management Environmental Impact Statement is finalized and an appropriate Record of Decision issued.
- Hanford (Downwinder case) – A new briefing schedule has been set. The plaintiffs will file all opening briefs by August 1, 2006. Defendants will not file concurrently, but will have until October 2, 2006, to file opening briefs and a reply. Plaintiffs will reply on

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their issues and respond by November 1, 2006, and Defendants will reply by December 1, 2006. While both parties appealed various aspects of the many rulings from the Federal District Court, the 9th Ninth Circuit is treating the plaintiff as the main appellant.

- U.S. v. Manning (Initiative 297 or the Cleanup Priority Act) – On July 12, 2006, the State of Washington filed an appeal in the Federal 9th Circuit Court of Appeals, of the June 12, 2006, decision of the U.S. District Court for the Eastern District of Washington in U.S. v Manning. The district court determined that the Washington Cleanup Priority Act, which had been approved by voters as Initiative 297, was unconstitutional in its totality. The Judge reached his decision on several grounds. Press reports have indicated that the interveners who joined the state as defendants in the Federal District Court action will also join in the appeal.
- Federal Tort Claim – Autery et al. v. United States - The 9th Circuit ruled in the United States' favor on September 12, 2005, on appeal of a lawsuit that was brought by numerous residents of Benton City against DOE and Department of Interior (DOI) as a result of the 24 Command Fire on and around the Hanford Site in June and July 2000. The 9th Circuit affirmed the Federal District Court's dismissal and held that the Federal District Court independent contractor exception to the Federal Tort Claims Act applied, and that DOE had delegated responsibility for fire prevention to its contractor (FHI). This case is closed.
- Yakama Nation Natural Resource Damage Assessment Litigation - The next significant deadline in this case is the DOJ's filing of preliminary Motions to Dismiss on October 1, 2006. On April 12, 2006, OCC sent DOJ a list of potential defenses based on an OCC presentation to DOE-HQ. RL has informed DOE-HQ General Counsel (GC) about arguments that may be in DOE's interest to present, but may involve policy issues for other federal agencies. We reviewed the National Oceanic and Atmospheric Administration (NOAA) proposal for preparation of a Hanford Restoration Plan in lieu of other actions to address natural resource concerns. RL participated in a conference call on the subject June 26, 2006, to coordinate with RL, ORP, and DOE-HQ (GC, EM, and EH) regarding the NOAA proposal. A conference call between DOJ, DOI, NOAA and DOE representatives occurred on July 19, 2006. RL continues to work closely with DOE-HQ and DOJ on the administrative activities and case preparation.
- FHI v. United States - FHI had filed certified claim disputes with the United States Court of Federal Claims seeking to recover 100 percent of its costs of defending and settling the Carbaugh Qui Tam case. The court held that payment on reasonable charges for costs and outside counsel for claim 1 and claim 2 were earlier reimbursed to FHI at 80 percent, (the maximum payable under the Major Fraud Act) with CDA interest, and \$200,000 of the \$450,000 settlement amount paid as reasonable pursuant to a Contracting Officer's determination. The remaining issue before the court was whether or not FHI should be

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reimbursed 100 percent of its settlement costs for a state torte issue in this case. On June 28, 2006, the court granted FHI's Motion for Summary Judgment. On advice of DOJ, the decision not to appeal was made and on July 13, 2006, a wire transfer payment was made to FHI in the sum of \$294,251.50. This case is now closed.

OIG Audit of DOE's DBT Implementation - Audit Survey Phase: The purpose of the audit is to determine whether the DOE's Energy, Science, and Environment sites are able to meet the Department's target dates for (DBT) implementation with feasible and cost-effective measures for meeting DBT requirements. The Auditor-in-Charge completed the survey phase of the audit and the OIG internal End-of Survey memorandum. A draft audit report has not been received.

FY 2006 INTERNAL CONTROLS CHECKLIST

In response to the referenced memorandum, the RL FY 2006 EM Internal Control Guidelines and Review Checklist is enclosed as Attachment 1. Attachment 2 is a listing of program and administrative functions for RL.

If you have questions, please contact me, or your staff may contact Jean F. Schwier, Assistant Manager for Administration, at (509) 372-8977.



Keith A. Klein
Manager

Attachments

cc w/attachs:

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EM INTERNAL CONTROLS GUIDELINES AND REVIEW CHECKLIST
RICHLAND OPERATIONS OFFICE (RLO)
JULY 2006

Guide Line #	Question/Guidelines	Guideline Met? Yes/No	Response	Action Required
GENERAL INTERNAL PROCESSES AND CONTROLS				
1.1	Who has the responsibility for developing the life-cycle planning estimates for the Office of Environmental Management (EM)?	Y	The Richland Operations Office of Project Performance and Regulatory Integration (PPRI) has the responsibility for developing the life cycle planning estimates.	None
1.2	<p><i>Guidance: Responsibility: Each Operations/Field Office must identify an organization and individual(s) who have the responsibility for developing the life-cycle planning estimates for EM.</i></p> <p>Who has the responsibility for recording the entry in the financial accounting system?</p> <p><i>Guidance: Each Operations/Field Office 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.</i></p>	Y	The Assistant Manager for Administration (AMA), and more specifically the Director of the Financial Management Division (FMD).	None

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1.3	<p>(1) 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?</p> <p>(2) 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?</p>	Y	<p>The Richland Operations Office of Project Performance and Regulatory Integration (PPRI) has the responsibility for an internal control system in place to meet HQ planning and program management requirements, and the site's management control program is the responsibility of the Assistant Manager for Administration (AMA).</p> <p>The relationship between the RL management system(s) and the PBS's are well documented in the guidelines and procedures listed below. Additionally, the review/approval points are identified, the requirements for traceability and baseline validation are articulated, and mapping of the PBS to the WBS are clearly presented.</p> <p>The following documents provide documentation and guidance for assuring there is an adequate relationship between the internal RL management system(s) and the life-cycle estimates provided in the PBSs:</p> <ul style="list-style-type: none"> • FY 05 RL Life Cycle Cleanup Baseline Project Completion Report and related appendices. • WBS chart and dictionary • RL Integrated Management System (RIMS) (see Integrated Management Planning and related crosscutting procedures) • DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide • RL Project Execution Plans for the respective PBSs 	None

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1.4	<p>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?</p> <p><i>Guidance: 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.</i></p>	Y	<p>Guidance is in place for the development of project baseline documentation. The processes address estimate preparation and life cycle baseline documentation. The portion of the life cycle that is assigned contractually to each contractor for both the development and cost estimating supports the PBS level in each PBS. The guidance is documented in the following references:</p> <ul style="list-style-type: none"> • DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide • FHI HNF-PRO-585, Cost Estimating 	None
1.5	<p>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?</p> <p><i>Guidance: Subsequent Events: Operations/Field Offices must be aware of the responsibility to update the liability estimate at the end of each Fiscal Year. Each Operations/Field Office 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, each Operations/Field Office must document that they have</i></p>	Y	<p>RL is aware of and develops the update of the liability estimate annually.</p> <p>The basis of the environmental liability for RL is the project baselines documented in each contractor's baseline documents, and the FY 05 RL Life Cycle Cleanup Baseline Project Completion Report.</p>	<p>The project baselines represented in those documents are continually maintained through formal change control. Any cost impacts to the formal baselines are tracked through the established change control processes. Typically, until a baseline change request package is developed and approved, cost impacts of potential changes to the project baselines are not tracked.</p> <p>In addition to approved change requests incorporated into the baselines, RL will normally assess subsequent</p>

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	<i>reviewed their estimates for subsequent events. Findings of the review must be documented.</i>		events to identify potential changes that are not in the current project baselines when the preliminary environmental liability entry is made to the financial system. RL will evaluate the subsequent events for significance and the ability to reasonably estimate the potential impacts to project baselines and considers adjustments to the lifecycle liability estimate. These subsequent events are documented in the Summary of Changes spreadsheet and booked quarterly in the Environmental Liability spreadsheet.	
1.6	Have significant quantities of non-EM newly-generated waste costs been included in PBSs? Have they been clearly identified?	Y	Activities to support acceptance, receipt, storage and disposal of low level, mixed low level, and transuranic waste for on and approved off site generators is included in one of the DOE RL PBS's. A small volume of off site waste is received as newly generated waste from the Office of Science as well as the Naval Reactors. However, there is no direct funding included for this scope as the cost for resources performing this work is recovered from the waste generators on a unit basis. Unit rates are established for each waste type (i.e., low level waste, mixed low level waste and transuranic waste) based on waste forecasts provided by the generators; however, generators are billed for actual volumes shipped plus the actual cost of any special activities.	None
1.7	<i>Guidance: 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.</i>	Y	Only stewardship costs up to site closure in 2035 are included in the RL baseline. LTSM costs for FY 2036-2070 are captured in a Headquarters EM PBS (RL-LTS).	None
	<i>Guidance: 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</i>			

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	<i>costs must be included when the entry is recorded in the financial accounting system.</i>			
1.8	Are any Program Direction costs included in any site PBSs that have been submitted to Headquarters? <i>Guidance: 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.</i>	Y	Not included in RL PBSs in accordance with guidelines.	None
BASELINE GUIDELINES				
2.1	Describe the process by which baseline and life-cycle planning estimates are developed. Is the process reasonable and traceable? <i>Guidance: Baseline Development and Estimating Process: Each Operations/Field Office must have a documented process for the development, submission, review, and approval of project baselines and life-cycle planning estimates.</i>	Y	<p>Planning estimates are prepared using activity based cost estimating methodologies and appropriate estimating techniques consistent with the level of scope definition. DOE and Contractor guidance and procedures require estimates to be fully documented and traceable. The process is defined by the following references:</p> <ul style="list-style-type: none"> • FY 05 RL Life Cycle Cleanup Baseline Project Completion Report and related appendices • DOE-RL Annual Baseline Updating Guidance • DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide • FHI HNF-PRO-585, Cost Estimating • Washington Closure Hanford (WCH) draft cost estimating procedure 	None
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? <i>Guidance: Baseline Guidelines: Each Operations/Field Office should conform to DOE O 413.3, Change One, "Program and Project Management for the Acquisition of</i>	Y	RL project baselines generally conform to the guidelines of DOE M 413.3. Our baseline documents as well as the IPBAS-IS baseline data includes the considerations outlined in DOE M 413.3. The level of documentation is adequate for the complexity and maturity of the RL projects. IPBAS-IS	None

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2.3	Capital Assets.” Do the site cost estimates conform to a graded approach with detailed estimates available in the near term?	Y	Planning data conforms to DOE M 413.3 and provides an adequate level of detail.	None
	<i>Guidance: 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.</i>		Baseline cost estimates include detailed estimates in the near-term. For both the Washington Closure Hanford (WCH) and the Fluor Hanford, Inc. (FHI) contracts there are detailed estimates available for the life of the respective contracts. Out-year costs are less detailed. An independent government estimate prepared by the U.S. Army Corp of Engineers was initially used as the basis for developing the lifecycle estimate for the scope of the River Corridor Project. After contract award, the new Contractor developed a baseline and submitted it to RL for review and approval. The RL Lifecycle Cleanup Baseline includes estimates of work scope from FY 2007 thru FY2035.	Estimates are consistent with DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide, WCH's draft cost estimating procedure and FHI HNF-PRO-585, Cost Estimating which do follow a graded approach to the level of detail and the estimating techniques utilized. A minimum level of detail (specific WBS level) is not prescribed. The DOE-RL Annual Baseline Updating Guidance to the contractors also addresses expectations for estimating techniques and level of detail in the cost estimates supporting the life cycle baselines.

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2.4	<p>Does a tangible file exist containing the basic project estimate documentation for each project? Is the estimate traceable to the WBS?</p> <p><i>Guidance: 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.</i></p>	Y	<p>Estimates exist in various forms consisting of basic project estimate documentation.</p> <p>The FHI baseline documentation, to be submitted in September 2006, will include summary level cost estimates supported by detailed BOEs. The BOEs exist in electronic format (MAESTRO) and various files and notebooks maintained in several locations within the contractor's facilities and at RL. These are available for review or duplication as needed. The WCH Integrated Project Baseline has been provisionally approved by RL and is awaiting final approval pending completion of the formal contract modification.</p> <p>For FY2007 to FY2035 the RL Lifecycle Cleanup Baseline Project Completion Report includes summary level cost estimates supported by detailed BOE's. The BOE's exist in electronic format and various files and notebooks maintained by DOE. These are available for review and duplication as needed.</p> <p>The costs in these estimate documents roll up to the summary level estimates via the WBS and up to the PBS level.</p>	None

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2.5	<p>Are baseline and planning assumptions well documented? Do they include assumptions about (a) productivity, (b) contingencies, (c) burdening rates, and (d) escalation?</p> <p><i>Guidance: 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.</i></p>	Y	<p>Baseline planning documents (discussed in Question 13 above) include assumptions used for those estimates at both the summary level and within the detailed Basis of Estimate (BOE) documents. The assumptions encompass productivity, contingencies, burden rates, and escalation.</p> <p>(a) <u>Productivity</u> Productivity assumptions are documented in the estimates normally at the BOE level.</p> <p>(b) <u>Contingencies</u> Management Reserve (per DOE O 413.3-1), also known as contractor contingency, assumptions are documented in the contractor baseline documents. Normally an explanation of the methods for developing contingency is detailed in a separate section of the baseline documents. The following documents contain specific guidance for the calculation and documentation of contractor contingency in project estimates:</p> <ul style="list-style-type: none"> • RL Memo 99-PID-110, Baseline • FHI HNF-PRO-585, Cost Estimating • WCH Integrated Project Baseline (IPB) <p>(c) <u>Burdening Rates</u> Burdening rates are determined by the contractor CFOs, audited by DCAA and approved by RL.</p> <p>(d) <u>Escalation</u> Guidance for application of escalation is issued in the DOE-RL Baseline Updating Guidance. This guidance includes escalation rates provided by HQ-CFO in the annual budget formulation guidance.</p> <p>Guidance documents addressing documentation of baseline and planning assumptions include the following:</p>	None

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		<ul style="list-style-type: none"> • DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide • FHI HNF-PRO-585, Cost Estimating • WCH draft estimating procedure 		
2.6	<p>Is there a review and approval process in place for the development of a baseline? Life-cycle planning estimates?</p> <p><i>Guidance. 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.</i></p>	Y	<p>The requirements, process and procedures are addressed in the following documents:</p> <ul style="list-style-type: none"> • The Project Hanford Management Contract and the Environmental Restoration Contract • DOE/RL-97-52, Basic Planning & Work Performance of Hanford Site Environmental Management Activities • DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide • FHI HNF-PRO-585, Cost Estimating • WCH Performance Management System Description <p>The lifecycle planning estimates were prepared by RL and can be found in the RL Lifecycle Cleanup Baseline Project Completion Report.</p> <p>The lifecycle planning estimates were approved by the RL Operations Office Manager.</p> <p>PHMC estimates were prepared under the direction of PHMC Planning and Integration organization.</p> <p>WCH estimates were prepared under the direction of their Integration organization.</p>	<p>None</p>

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			these under the RL Integrated Management System (RIMS). Applicable RIMS processes and procedures are found under Integrated Management and Planning.	
2.7	Is another organization/entity (non-EM) scheduled to assume responsibility for work currently managed by EM and/or workspace 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?	Y	<p>The life cycle planning assumes that another entity will take control of the Hanford site after the cleanup mission is complete, but the entity is TBD.</p> <p>Site closure has been accelerated from 2046 to 2035 consistent with EM guidance. EM costs are included up to site closure only.</p> <p><i>Guidance: 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.</i></p>	<p>Legacy management costs are captured in Headquarters PBS RL-LTS.</p>
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?	Y	<p><i>Guidance: 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).</i></p>	<p>Estimating guidelines are in place and DOE-RL requires that independent reviews be performed to assure they are complied with. Guidance is provided on how to apply overhead costs and how to develop contingency.</p> <p>Estimating guidelines are found in the following documents:</p> <ul style="list-style-type: none"> • Baseline Updating Guidance • DOE/RL-97-90, Hanford Cost Estimating and Scheduling Guide • FHI HNF-PRO-585, Cost Estimating • WCH draft estimating procedure

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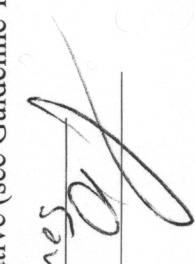
Guide Line #	Question/Guidelines	Guideline Met? Yes/No	Response	Action Required
2.9	<p>Has each site estimated the uncertainty related to its life-cycle cost? Has the uncertainty been reflected as a contingency in line item construction projects? As a range on the total cost? Some combination thereof?</p> <p><i>Guidance: 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.</i></p>	Y	<p>DOE and RL Policy addressing contingency in project baselines was established in Memo, CE Anderson to distribution, "Policies for EM Operating Project Performance Baselines, Contingency and Federal Risk Management Plans, and Configuration Control", dated 7/10/2006.</p> <p>RL procedures for managing project and program level Risks are identified in RIMS. Risk Management Plans to address identified risks have also been completed. Risk assessment is an on going activity. RL is currently conducting cost analysis and technology needs reviews to assess their impact to life-cycle cost (i.e. uncertainty)</p> <p>During FY'06 RL is re-assessing and quantifying project level risks for PBS's: RL-011, RL-012, RL-012x, RL-013, RL-040; RL-080, RL-030, and RL-042. During FY'07 the project risks for PBS-041 will also be re-evaluated and quantified. The result of re-assessing all of the project level risks will result in integrating all of the project level risks, and in re-assessing all of the RL program level risks.</p>	None
3.1	<p>CONFIGURATION CONTROL BOARD GUIDELINES</p> <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? Is the data contained in the BCP form auditible?</p> <p><i>Guidance: The Operations/Field Office 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 auditible.</i></p>	Y	<p>RL has developed a procedure which is documented in RIMS. BCPs are reviewed to ensure appropriate data and information are included. The forms are auditible.</p>	None

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Guide Line #	Question/Guidelines	Guideline Met? Yes/No	Response	Action Required
3.2	Does the BCP include references to all relevant PBS? <i>Guidance: The Operations/Field Office will ensure all BCPs include references to all relevant PBSs.</i>	Y	Each BCP references a PBS, as appropriate.	None
3.3	Is there a file being maintained containing all dispositioned BCPs? <i>Guidance: The Operations/Field Office will maintain files containing all dispositioned BCPs.</i>	Y	The RL, FHI, and WCH Change Control Administrators all maintain files.	None

I agree that this checklist accurately reflects the internal control system for the Richland 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: Gregory A Jones
Signature: 
Date: 8/14/06

Headquarters Deputy Assistant Secretary for Program Planning and Budget

Name: _____
Signature: _____
Date: _____

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FY 2006 Listing of Program and Administrative Functions for DOE-RL
Funding \$'s in 000's

PBS	Name	B&R	STARS Parent	FY06 Funding
Hanford 2012 Completion Projects				
RL0011	PFP	EY504211	C002217	138,259
RL0012	SNF	EY504212	"	113,835
RL0041	River Corridor	EY504241	"	174,951
RL0043	HAMMER	EY504243	"	7,351
RL0044	B Reactor	EY504244	"	970
Hanford 2035 Completion Projects				
RL0013	Solid Waste Stab.	EY514213	C002218	162,562
RL0030	Soil & Water Rem.	EY514230	"	73,014
RL0040	Nuclear Fac. D&D	EY514240	"	69,404
RL0080	Operate Waste Disp. Fac.	EY514280	"	5,745
RL0100	Richland Community & Reg.	EY514210	"	15,105
HQ12X	SNF Stab. & Disp/Storage	EY514202	"	1,777
Other				
RL0020	S&S	FS504	C002210	81,336
RL0042	FFT	EZ40	C002146	45,985

*FY06 is the first year RL has received funding in this PBS

DOE-RL Open Action Plans Reported in FY 2005

<u>Program/ Admin Function</u>	<u>Title</u>	<u>Reporting Organization</u>
RL Security and Emergency Services Division	OIG Technology Audit 04-RL9-IT-01, Access Security Requirements And Change Control	Office of Assistant Manager for Safety and Engineering

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