

Contractor Assurance Discussion

Forrestal Building
Washington, D.C.
December 14, 2011



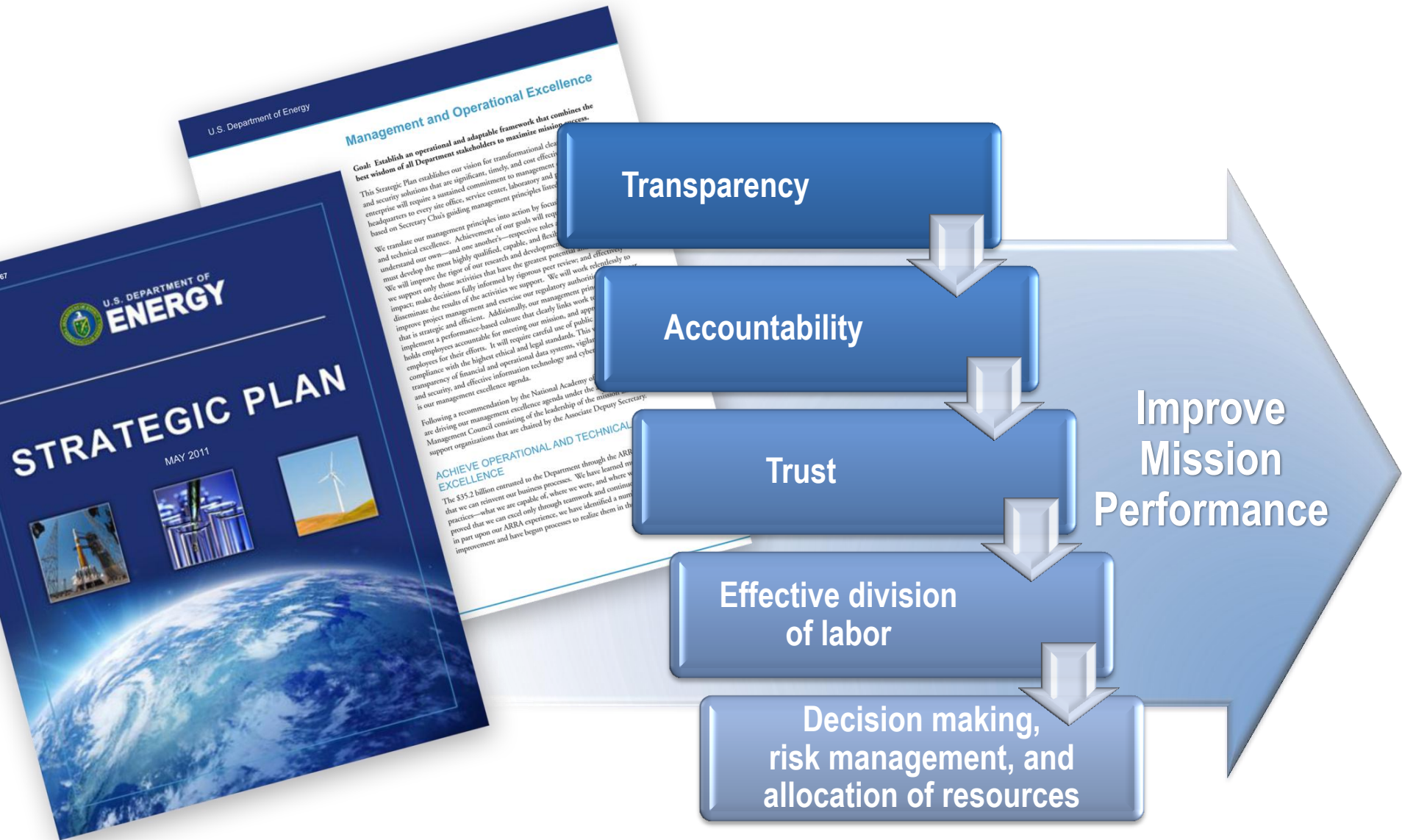
U.S. DEPARTMENT OF
ENERGY



Outline

- Principles
- Goals
- Design
- Roles
- Status

Why focus on Contractor Assurance?



DOE 2011 Strategic Plan, Management and Operational Excellence

“This Strategic Plan establishes our vision Success in this enterprise will require a sustained commitment to management excellence from headquarters to every site office, service center, laboratory and production facility based on Secretary Chu’s Guiding Management Principles.”

**Contractor Assurance
a key to
Self Governance and a
culture of performance**

- We will pursue our mission in a manner that is safe, secure, legally and ethically sound, and fiscally responsible.
- We will manage risk in fulfilling our mission.
- We will apply validated standards and rigorous peer review.

- Our Mission is vital and urgent.
- Science and technology lie at the heart of our mission.
- We will succeed only through teamwork and continuous improvement.

- We will treat our people as our greatest asset.



Integrated Management System

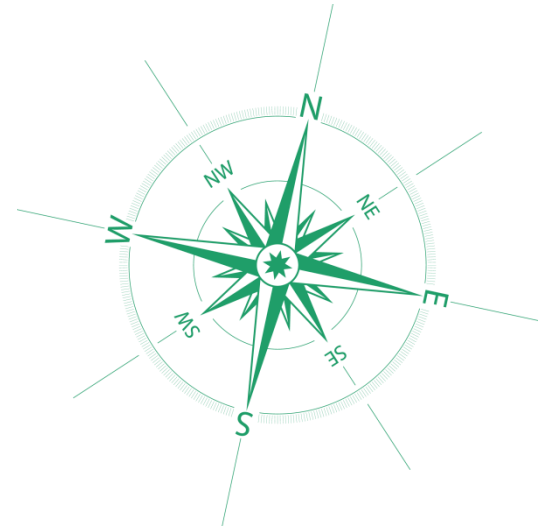
What is Contractor Assurance?

- A contractor-designed and utilized system to manage performance consistent with contract requirements.
- A framework that engages the corporate parent to assess performance, provides data to the Contractor's management decision-making process, and allows the Contractor to more effectively manage processes, resources and outcomes.
- A system that provides transparency between the Contractor and DOE to ensure alignment across the enterprise to accomplish mission needs, and for DOE to determine the necessary level of Federal oversight.

An effective CAS enables continuous improvement of Contractor performance, integrates and aligns Contractor management systems, and supports corporate parent governance

Overarching principles

- Line management is accountable for performance
- Assurance is an outcome
- Assurance is reasonable, not absolute
- Assurance covers the full scope of contractor operations
- Effective assurance is built on mutual trust between DOE and the contractor



Contractor Assurance goals

- Contractor effectively manages performance and risk
 - Demonstrates sustained performance levels
 - Optimally applies resources to identify and correct issues and address emerging risks to mission or operational performance
- Assurance system effectiveness allows oversight activities that are effective and efficient with greater integration



A climate of mutual trust exists between DOE and the contractor

- *Takes trust to start*
- *Builds over time*

Assurance System drivers

U.S. Department of Energy
Washington, D.C.

POLICY

DOE P 226.1B

Approved: 4-25-11

SUBJECT: DEPARTMENT OF ENERGY OVERSIGHT POLICY

PURPOSE AND SCOPE

The purpose of this Policy is to establish the Department of Energy's (DOE) expectations for the implementation of a comprehensive and robust oversight process that enables the Department's mission to be accomplished effectively and efficiently while maintaining the highest standard of performance for safety and security. As used in this Policy, any reference to DOE is also meant to include the National Nuclear Security Administration (NNSA). The scope of this Policy covers operational aspects of environment, safety, and health; safeguards and security; cyber security; and emergency management. This Policy cancels and supersedes DOE P 226.1A, *Department of Energy Oversight Policy* dated 5-25-07.

POLICY

To provide strong assurance that the workers, the public, the environment, and national security assets are adequately protected, the Department expects that: (1) robust assurance systems are effectively implemented by site contractors and, for DOE operated activities, by the responsible DOE line management organizations; and (2) DOE oversight is performed effectively by line management, both DOE Headquarters and Field, as well as by independent oversight organizations. Collectively, effective assurance systems and oversight programs provide reasonable assurance that mission objectives are being accomplished without sacrificing adequate protections.

Attributes of effective assurance and oversight processes include: (1) Assurance systems are tailored to meet the needs and unique risks of each site or activity, include methods to perform rigorous self-assessments, conduct feedback and continuous improvement activities, identify and correct negative performance trends, and share lessons learned; (2) DOE oversight programs are designed and conducted commensurate with the level of risk of the activities; and (3) The oversight of activities with potentially high consequences¹ is given high priority and greater emphasis.

Effective and properly implemented oversight processes and assurance systems are expected to result in:

- DOE Headquarters and Field having assurance that site workers, the public, and the environment are protected while mission objectives are met, contract requirements are

¹ These activities include, but are not limited to, Hazard Category 1 and 2 nuclear facilities and activities to protect strategic quantities of special nuclear material and highly sensitive information assets.

AVAILABLE ONLINE AT:
www.directives.doe.gov

INITIATED BY:
Office of Health, Safety and Security

12/23/09

H Clause: Contractor Assurance System

(a) The Contractor shall develop a contractor assurance system that is executed by the Contractor's Board of Directors (or equivalent corporate oversight entity) and implemented throughout the Contractor's organization. This system provides reasonable assurance that the objectives of the contractor management systems are being accomplished and that the systems and controls will be effective and efficient. The contractor assurance system, at a minimum, shall include the following key attributes:

- (1) A comprehensive description of the assurance system with processes, key activities, and accountabilities clearly identified.
- (2) A method for verifying/ensuring effective assurance system processes. Third party audits, peer reviews, independent assessments, and external certification (such as VPP and ISO 9001 or ISO 14001) may be used.
- (3) Timely notification to the Contracting Officer of significant assurance system changes prior to the changes.
- (4) Rigorous, risk-based, credible self-assessments, and feedback and improvement activities, including utilization of nationally recognized experts, and other independent reviews to assess and improve the Contractor's work process and to carry out independent risk and vulnerability studies.
- (5) Identification and correction of negative performance/compliance trends before they become significant issues.
- (6) Integration of the assurance system with other management systems including Integrated Safety Management.
- (7) Metrics and targets to assess performance, including benchmarking of key functional areas with other DOE contractors, industry and research institutions. Assure development of metrics and targets that result in efficient and cost effective performance.
- (8) Continuous feedback and performance improvement.
- (9) An implementation plan (if needed) that considers and mitigates risks.
- (10) Timely and appropriate communication to the Contracting Officer, including electronic access, of assurance related information.

The initial contractor assurance system description shall be approved by the Contracting Officer.

(b) The Government may revise its level and/or mix of oversight of this contract when the Contracting Officer determines that the assurance system is or is not operating effectively.

NNSA POLICY LETTER

NAP-21

Approved: 2-28-2011

TRANSFORMATIONAL GOVERNANCE AND OVERSIGHT



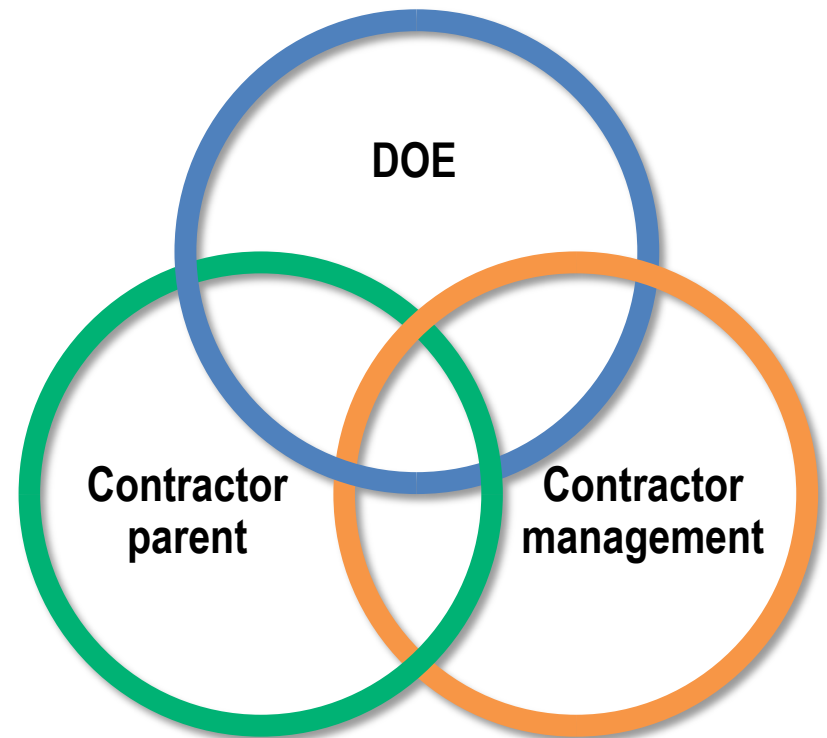
NATIONAL NUCLEAR SECURITY ADMINISTRATION
Office of the Administrator

Contractor Assurance is designed to refine and strengthen interdependences

- Characteristics

- Maintaining a focus on mission outcomes
- Maturing processes that drive improvements toward desired outcomes
- Emphasis on self-identification, correction, and prevention
- Demonstration of sustainable performance
- Collective searching for opportunities to improve allocation of resources
- The system can leverage 3rd party scrutiny
- A climate of mutual trust that defines relationships and actions

Success depends on engagement of all 3 parties



Roles and responsibilities

- DOE: Customer, owner, and regulator
- Contractor/parent
- Line management (DOE and contractor)
- Laboratory/facility management

DOE Mission Execution Roles and Responsibilities Rules of Thumb
"Speaking with One Voice"

HQ Programs (Energy, NNSA, Science)	
DO	DON'T
<p>Mission Program Leadership</p> <ul style="list-style-type: none"> • Develop strategy • Set mission program priorities (including budgets) • Deliver mission program results • Seek mission support • Coordinate with external entities and federal agencies to promulgate and further DOE initiatives (OMB/Congress/Media) <p>Laboratory/Contractor Oversight</p> <ul style="list-style-type: none"> • Own mission program performance • Provide input to Contractors on program activities with the knowledge of the Site Office and through actions authorized by Contracting Officer's Representatives • Work with Site Office Managers to establish how Contractor mission performance is evaluated, including performance objectives and other criteria (annual PEMP, etc.) <p>Risk Management</p> <ul style="list-style-type: none"> • Work with other DOE elements, including support elements, to manage mission program risks across all the HQ Program partners • Delegate authorities to lowest appropriate level in the organization once capability and performance are demonstrated • Verify effective execution of authorities, including delegated authorities, on schedules graded to the significance of each authority and demonstrated performance • Utilize technical experts to ensure decisions reflect appropriate risk management decision making 	<ul style="list-style-type: none"> • "Direct" M&O and other major Contractors without working with Site Offices • Inappropriately interject in detailed operational issues • Second guess decisions made once authority has been delegated
Site Offices (e.g. Operations Offices, Project Offices, Project Management Offices)	
DO	DON'T
<p>Contract Management</p> <ul style="list-style-type: none"> • Enable mission activities in the spirit of partnership with DOE Contractors administering performance-based contracts to deliver on the program and functional objectives established by HQ Programs while preserving independence needed for regulatory decision making • Integrate DOE requirements • Perform delegated contract management functions including authorizing work • Confirm contractor assurance effectiveness • Expect contractor to exercise independent judgment in delivering on contractual obligations and monitor Contractor performance against contract requirements <p>Authorizing or Approving Official</p> <ul style="list-style-type: none"> • Serve as Federal approval official when authorized • Support independent regulatory decision-making with documented, visible review by unbiased, objective individuals who do not have personal or organizational conflicts of interest • Exercise due diligence with technical expert input, communicate decisions to HQ Programs that are made with delegated authority <p>Risk-appropriate Oversight</p> <ul style="list-style-type: none"> • Sign permits and other licensing-type docs • Evaluate Contractor performance consistent with the contract • Oversee contractor's approach to operations and risk management • Communicate performance information with HQ Programs and Functional 	<ul style="list-style-type: none"> • Do Contractors work for them • Routinely tell Contractors <u>how</u> to deliver work • Abuse delegated authority by not communicating decisions with HQ Programs to avoid program input

1

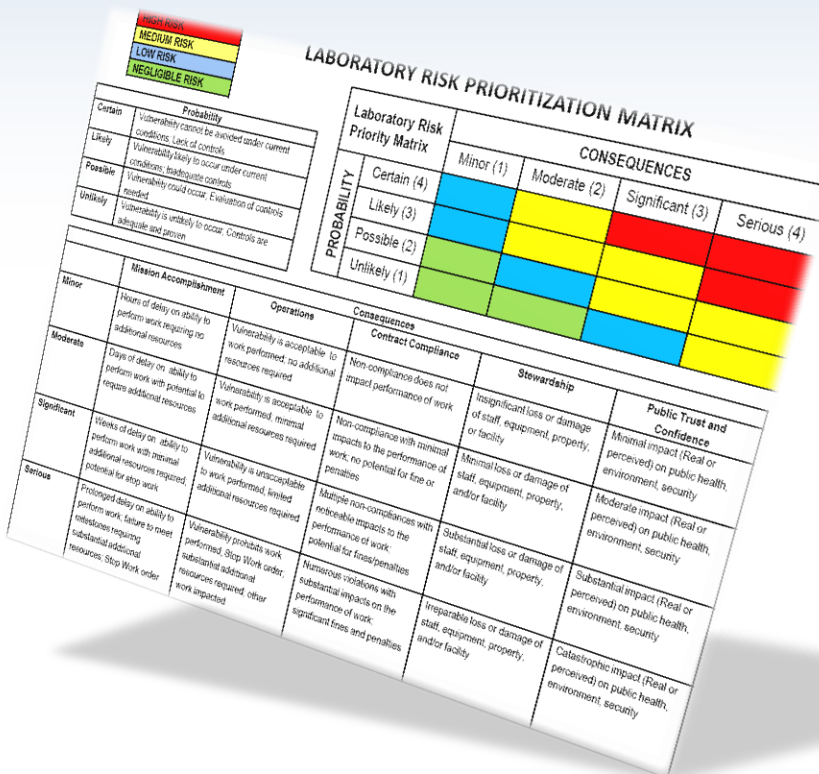
CAS is driving improvement initiatives

Opportunities for improvement

- **Assessments: Rationalize the assessment portfolio**

What we're doing

- Re-tooled the assessment program
- Integrated development of assessment strategy with business and budget planning
- Focusing on a robust and rigorous understanding of risk
- Balancing efforts to monitor via assessments with measurement via metrics



Framework for SC peer reviews

Peer Review Guide identifies roles and structure

Lines of inquiry (LOIs) focus on H Clause attributes

Steering Committee provides consistency of approach

Teams evaluate assurance system development, deployment and maturity

**CONTRACTOR ASSURANCE
AT OFFICE OF SCIENCE LABORATORIES**

**CONTRACTOR ASSURANCE SYSTEM PEER REVIEW GUIDE
AND LINES OF INQUIRY**
Rev.1

April 15, 2010

how

Appendix B: Lines of Inquiry
April 15, 2010

Part One: Laboratory Management

CAS Attribute and/or Expected Outcome	General Question	Detailed Questions
A. A comprehensive description of the CAS with processes, key activities, and accountabilities are clearly identified.	A.1 Is there a written description of the CAS?	A.1.1 What CAS processes, procedures, tools, and systems are in place?
		A.1.2 Are roles, responsibilities and accountabilities clearly identified?
	A.1.3 Are resources for the CAS processes allocated using a risk-based approach (i.e., allocated to highest risk activities, functions, processes first)?	
	A.2 Does the CAS description encompass applicable processes and key activities?	A.2.1 What areas need to be added, enhanced, or removed?
	B. Methods for verifying/ensuring CAS processes.	B.1 Does the CAS include a method for verification?
	B.1.1 Is there a method, approach or plan to verify the CAS?	C.1.1 Does the laboratory process require notification of the Site Office prior to making significant assurance system changes?
	D. Assurance data used for management to improve performance and strategy execution.	D.1.1 How is assurance data used for management to improve performance and strategy execution?
	E. Feedback and improvement activities.	E.1.1 How is feedback used for improvement activities?

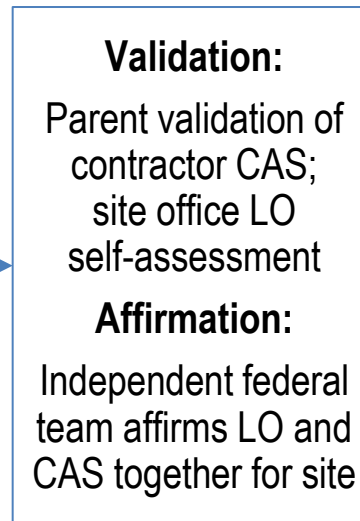
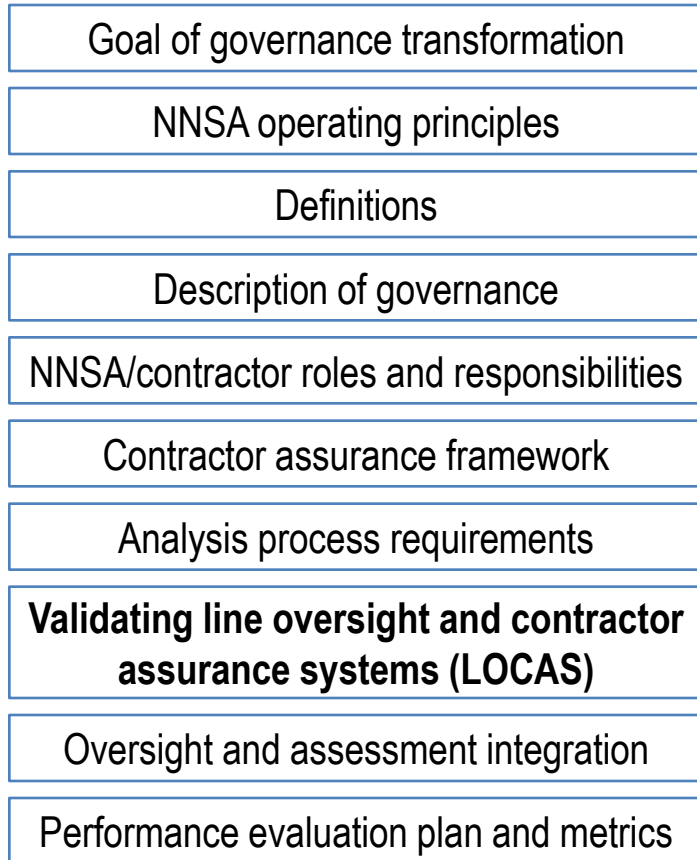
what

Office of Science: Leveraging CAS

- Site Level
 - reduced assessments by up to 50%; integrated with contractors reviews, and integrated (or incorporated) SME support from other sites or HSS to reduce duplication (security, ES&H, cyber security, and emergency management)
 - refined assessment master schedules to acknowledge and take credit of previous reviews and defer/postpone reviews when performance merits
 - Sites have placed the burden of performance on the contractor in certain program areas
- HQ Level
 - Waiver of Business Clearance review and approval
 - Waiver of review and approval of Performance Objectives and Incentives

NNSA CAS validation and LOCAS affirmation

Transformational Governance and Oversight (NAP 21)



CAS elements

- Assessments
- Operating experience
- Issues and corrective action management
- Performance measures
- Integrated continuous improvement

LO elements

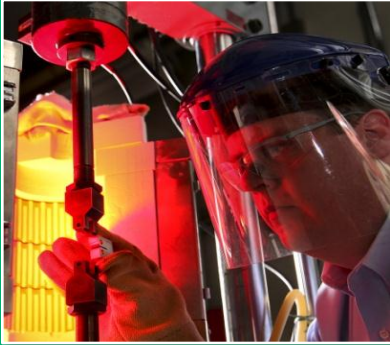
- Line oversight approach
- Line oversight process
- Oversight of CAS
- Line oversight self-assessment

Contractor assurance reviews: Thematic results

Experience to date	Underlying maturation themes
<ul style="list-style-type: none">• Assurance systems in place, with appropriate improvement agendas• Collective learning is taking place• Engaged corporate parents• Process discipline allows for repeatability and consistency	<ul style="list-style-type: none">• Effectiveness (performance and impact)• Efficiency (streamlining where possible)• Sustainability (system stands test of time)• Self-assessment value proposition and integration strategy• Socialize/enhance (or flow down) CAS into organization to enhance maturity• Evidence of CAS integration with management systems exists, but needs to be further strengthened

What does success look like?

Protection of workers, public and environment



Effectively run operations and business systems



Risks are understood and managed



Contract requirements are met



Mission delivery

Alignment: Achieving Management and Operational Excellence

