

DOE Environmental Management Advisory Board (EMAB)

A Review of EM Contracting Practices

James A. Ajello & David Swindle

November 21, 2003

EMAB Meeting

EMAB



Key Questions & Requests from the Assistant Secretary

- Does the EM Program provide sufficient incentives to its contractors to realize desired outcomes? If not, what should the incentives be?
- Do contractors have adequate freedom under the contracts to meet (or exceed) goals?
- Does the EM Program attract the best available talent given its contracting approach?

EMAB



Key Questions & Requests (con't)

- Is there value in using benchmarking from the private sector to improve the way the EM Program interacts, negotiates, and/or documents with contractors?
- Provide a “sanity” check on how industry views EM’s projects and suggest ways for EM to improve its ability to relate to the contracting community.



Key Questions & Requests (con't)

- Determine the key attributes of the Source Evaluation Board (SEB) process.
- What SEB activities/decisions drive bid and proposal expense, and in what ways could EM improve its SEB processes?



EMAB Approach

Created Contracts Team to review EM contract initiatives and compare against industry norms.

EMAB Team Members:

- Jim Ajello ~ Reliant Energy Solutions
- Dennis Ferrigno ~ CAF & Associates, LLC
- John Quarles ~ Morgan, Lewis & Bockius LLP
- Dave Swindle ~ Kellogg, Brown and Root Services

EMAB



EMAB Findings

- EM's current contract incentives are insufficient to attract the best and brightest contracting talent at high-risk sites.



EMAB Findings (continued)

- EM should review contracting and fee incentive models from firms that design and operate global environmental remediation and program management projects.



EMAB Findings (continued)

- EM should implement benchmarking practices from the private sector to guide its procurement process.



EMAB Findings (continued)

- Determine what limits new contracting firms from entering the EM cleanup market.
 - DOE contract bidding process, or
 - DOE contract liability requirements



EMAB Findings (continued)

- Limit EM procedural mandates and supervisory role.
- Require contractors to assume more performance and risk responsibility.
- Specify responsibilities in vendor's contract.



EMAB Findings (continued)

- Offer vendors expanded range of contract vehicles that match risk and reward for specific tasks.
 - Provides more flexibility to vendors making bid/no bid decisions.
 - Reduces overall project costs by limiting uncertainty.



EMAB Findings (continued)

- Review bonding requirements to break out job elements with enough risk to warrant bonding.
 - Could result in substantial savings for contractors and government.



EMAB Findings (con't)

- Current contract incentive program only rewards prime contractors.
- Consider performance incentives that flow-down through subcontractors to reward and motivate valuable employees.



EMAB Findings (con't)

- Provide incentives for large firms to subcontract to small firms.
- Expand small business mentor/protégé program to address uncertainties.



EMAB Findings (con't)

- Designate additional executive-level team committed to improving Source Evaluation Board (SEB) processes.
 - Will help lessons-learned communications throughout EM.
 - Will promote consistency in contracting practices.



Next Steps

- EMAB will begin to help EM make recommendations “actionable”.

