

September 30, 2008

The Honorable Joseph I. Lieberman
Chairman, Senate Committee on Homeland
Security and Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the U.S. Nuclear Regulatory Commission (NRC), I am pleased to provide a written statement of actions taken on the U.S. Government Accountability Office (GAO) report, "Information Technology: Agencies Need to Establish Comprehensive Policies to Address Changes to Projects' Cost, Schedule, and Performance Goals" (GAO-08-925). The NRC is in general agreement with the GAO's recommendations and believes that the report will assist the NRC to improve its information technology (IT) project management practices.

GAO-08-925 assessed Federal agency conformance with five best practices, set forth in GAO's Cost Assessment Guide (GAO-07-1134SP), that are relevant to the reestablishment of IT program and project baselines. The best practices promoted by GAO focus on the process for developing, validating, and reviewing a new performance baseline for a major IT project and require that the re-baselining process be well-documented.

Existing NRC policy guidance, issued as Management Directive (MD) 2.8, "Project Management Methodology," partially addresses these best practices. Under MD 2.8, NRC executives are responsible for managing IT investments to within 10 percent of a performance management baseline that establishes planned cost, schedule, performance, and quality goals. The NRC's Earned Value Management (EVM) Guideline requires that agency project managers use an ANSI/EIA Standard 748-compliant EVM system to manage major IT acquisitions to the performance management baseline. The baseline must be validated within 6 months of its establishment by an integrated baseline review to be conducted by the project manager and the NRC's Office of Information Services (OIS) in accordance with guidance in the National Defense Industrial Association's "Program Manager's Guide to the Integrated Baseline Review Process."

If an investment fails to meet performance standards in the validated baseline, the responsible executive must develop a corrective action plan, which may include a proposal to re-baseline the project. In accordance with MD 2.8 and the EVM Guideline, corrective action plans for major IT investments undergo successive reviews by OIS, the NRC IT Business Council (an IT executive review board), and the NRC's Chief Information Officer, and must be approved by the agency's Executive Director for Operations. Both the original and the new baseline are documented in the NRC's official repository of IT project information, and progress against the new baseline is to be monitored by OIS and periodically reviewed by the IT Business Council.

The NRC continues to examine its current process to ensure that the agency establishes reasonable and achievable baselines for projects and minimizes baseline revisions for future program efforts. The development of an NRC "Project Manager's Guide," already underway, will address the remaining key areas by consolidating and expanding guidance on EVM and the integrated baseline review process. The new guidance will require that project managers clearly justify the need for baseline revisions before they receive agency approval. This guidance will be incorporated by reference in MD 2.8 and is an integral part of the agency's comprehensive response to the GAO report. More detailed comments about NRC's approach to each of the best practice areas emphasized by GAO is enclosed.

The NRC appreciates the opportunity to share an approach to fulfilling the requirements identified in the GAO report. If you have any questions, please contact Ms. Rebecca L. Schmidt, Director of the Office of Congressional Affairs, at (301) 415-1776.

Sincerely,

/RA/

Peter B. Lyons
Acting Chairman

Enclosure: As stated

cc: Senator Susan M. Collins

Similar letter sent to:

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The Honorable Henry A. Waxman
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cc: David A. Powner, GAO

NRC's Detailed Comments in Response to GAO Recommendations

1. *Describe reasons when a re-baseline is warranted.* NRC's Office of Information Services (OIS) has established a Project Management Services Team (PMST) to define project management tools and techniques that will enable the agency to better identify the costs and value to the NRC mission of major IT projects. The "Project Manager's Guide" being developed by PMST will document the use of the integrated baseline review, integrated project schedules, and project monitoring and control processes. The policy will also provide consolidated guidance for the use of Earned Value Management (EVM). EVM combines measurement of technical, schedule, and cost performance criteria within a single integrated methodology to show the status of a project. The use of this guide within the overall policy framework will ensure that project managers document reasons for revisions to the baseline already established for their projects. At the same time, the agency is continuing its effort, in collaboration with George Washington University and ESI International, to provide formal training for all project managers toward a "Master Certification in Project Management." The certification program covers major project management tools and techniques, including cost estimating, EVM, and baseline revisions.
2. *Describe the process for developing a new baseline.* Currently, the agency uses an integrated project plan for major projects, with resources allocated on the sub-project level. The new guidance being drafted requires project managers to provide new cost estimates along with a new project plan which details the scope of the remaining work and includes revised schedule and resource allocations at the sub-project level.
3. *Require validating the new baseline.* The agency uses an Enterprise Change Control Board, an Engineering Review Board, and a Project Specific Control Board to review and validate any changes associated with project execution, including revised project costs associated with requests for a new project baseline. These committees are staffed with the appropriate key project stakeholders and executives from the NRC Program Offices. Revised policy guidance will clarify their roles in the re-baselining process.
4. *Require management review.* Current agency guidance requires management review of corrective action plans for major IT projects. The agency is planning to strengthen its IT governance structure by implementing processes to ensure active management involvement in the review, approval, and monitoring of new or revised baseline plans.
5. *Require that the process is documented.* Guidance underway will standardize the process for documenting decisions surrounding baseline revisions and will mandate that re-baselining actions be coordinated through the PMST. Project managers will be required to inform the PMST of the reasons for the revised baseline proposal and to provide the new project cost, schedule, and scope to the PMST for management review and approval. The agency expects to complete implementation of the new guidance by the end of the first quarter of Fiscal Year 2010.

Overall, the NRC is taking steps to ensure that policies and procedures are in place to monitor project baselines successfully.

Enclosure