



United States Department of the Interior

BUREAU OF RECLAMATION

Washington, D.C. 20240

NOV - 8 2006



IN REPLY REFER TO:

86-60000

ADM-10.00

MEMORANDUM

To: Director, Technical Resources
Attn: 86-60000
Director, Office of Program and Policy Services
Attn: 84-50000
Regional Director, Mid-Pacific Region
Attn: MP-100
Regional Director, Upper Colorado Region
Attn: UC-100

From: Robert W. Johnson
Commissioner

Subject: Decisions Related to *Managing for Excellence* Recommendations – Action Items
14 and 15

You are directed to implement the following *Managing for Excellence* Final Recommendations for Action Item Nos. 14 and 15:

- 1) Finalize and issue the Policy, Directive and Standards (FAC TRMR-8 through 13) as Temporary One Year Bureau of Reclamation Manual documents and develop a process for review and finalization of the documents at the completion of the one-year period.
- 2) Complete and transmit for final disposition by the Deputy Commissioner, Operations, a document package for fiscal years 2007, 2008, and 2009 containing projects recommended for review and projects requesting exception.
- 3) Implement the decision-making process for the Design Estimate and Construction review recommendations in accordance with the Policy, Directive and Standard for your respective pilot projects.

Teams 14 and 15 have completed their tasks as presented, and now I am directing you to continue with implementation requirements of the program as identified by the team.

Implementation of these recommendations will begin immediately.

Attachment

cc: 91-00000 (Collier), 91-10000 (Burman), 94-00000, 94-30000 (Todd, Wolf), 96-00000,
96-40000 (Rinne, Quint), 84-40000 (Achterberg), 84-55000 (Gonzales, Kinney), 86-60000,
86-62000 (Hensley), 86-68000 (Gabaldon), PN-1000, LC-1000, GP-1000
(w/o att to each)

MANAGING FOR EXCELLENCE FINAL RECOMMENDATIONS – TEAM 14-15

Implement Design, Estimating and Oversight Functions Policies and Procedures for Oversight of Design and Construction Estimates

Executive Sponsor: Maryanne Bach

Team Members: Rick Gold, Mike Gabaldon, Larry Todd, William Rinne

Key Organizational Function Interfaces: Roseann Gonzales, Director OPPS and Regional Directors.

Action item statement from the Managing for Excellence Action Plan:

Team 14 - Implement design engineering estimate oversight functions associated with the DEC/DSO position; identify and conduct pilot reviews of key project feature construction estimates during FY 2006.

Team 15 – Establish agency policies and procedures for the oversight of design and construction estimates.

Scope Statement from Managing for Excellence Project Management Plan: Tasks to be accomplished included:

- Issue call letter for FY07-09 for DEC reviews
- Issue temporary policy and Directives and Standards for DEC and Estimating
- Conduct pilot reviews on Auburn Dam Update, TCD Glen Canyon Dam and the Reservoirs along the All American Canal (AAC) in FY06
- Compile and prioritize DEC reviews for FY07-09

Approach and Methodology: The team's approach was to develop and finalize a Policies and Directive and Standards to provide guidance for implementation; conduct 3 pilot reviews of documents for 3 major projects; and develop processes and procedures for collecting, storing and approving fiscal years 2007, 2008 and 2009 DEC projects recommended for review. The overall goal was to complete the above tasks prior to the start of fiscal year 2007 and begin implementation October 1, 2006.

When the action plan was developed, the envisioned process for DEC reviews to be complete when the final report was signed by the DEC/DSO and transmitted to the Regional Director. The regional director would then determine actions to be taken in response to the report and document proposed actions in an accountability report. In the process of conducting the pilot reviews, a more robust decision making process was established for final implementation.

Deliverables:

The draft Policies and Directives and Standards are complete and ready to be issued as Temporary One Year Reclamation Manual documents. Procedures are in place; projects have been submitted for DEC review for fiscal years 2007, 2008, and 2009 and placed into a newly created database; draft of the final submittal of the 3 fiscal years projects for review and approval to Deputy Commissioner is being prepared. Pilot DEC reviews

were conducted on Update to the Benefits and Costs for the Auburn Folsom Project, the Feasibility Design Report for the Temperature Control Device for Glen Canyon Dam and the Preliminary Planning Report for the Navajo-Gallup Water Supply Project. The independent team reports for the three pilots are finished and transmitted to the responsible Regional Director and the Director, Technical Resources for recommendation selection and approval.

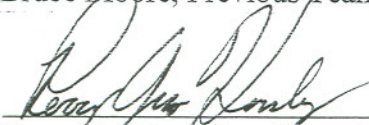
Recommendations: For any follow-on activities, the team leader will be Perry Hensley.

The Commissioner should:

- 1) Direct finalization and issuance of the Policy, Directive and Standards as Temporary One Year Reclamation Manual documents and development of a process for review and finalization of the documents at the completion of the one year.
- 2) Direct completion and transmittal for final disposition by the Deputy Commissioner for Operations of a document package for fiscal years 2007, 2008 and 2009 containing projects recommended for review and projects requesting exception. Then transmit the approved package to the Director, Technical Services for implementation.
- 3) Direct the Responsible Regional Director and the Director, Technical Resources to implement the decision making process for implementation of DEC review recommendations in accordance with the Policy, Directive and Standard for their respective projects.

Submitted by:


Bruce Moore, Previous Team Leader 11/1/06 Date


Perry Hensley, New Team Leader 11/1/06 Date


Maryanne Bach, Executive Sponsor 11/1/06 Date *Bach 11/1/06*


Larry Todd, Deputy Commissioner, PAB 11/6/06 Date

BACKGROUND

M4E

FINAL RECOMMENDATIONS

TEAM 14 -15

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- Subject:** Independent Oversight of Design, Cost Estimating, and Construction
- Purpose:** To establish an independent oversight process that will ensure Bureau of Reclamation's executive level managers that major decisions and products related to design, cost estimating, and construction are sound at both the project and Reclamationwide (corporate) levels. The Agency benefits are increases in quality, accuracy and credibility to customers and the general public.
- Authority:** Reclamation Project Act of 1902, as amended and supplemented
- Approving Official:** Commissioner
- Contact:** Director, Technical Resources

1. Introduction.

- A. Reclamation will maintain a corporate process and system to provide independent oversight for major agency projects, work, or activities (projects) that include design, cost estimating, and construction (DEC).¹ Corporate oversight for these projects is to support successful project accomplishment, ensure high quality, maintain credibility with water and power users and other customers, and otherwise sustain Reclamation's credibility.
- B. The key feature of the independent oversight review process is independent oversight reviews performed on specific DEC projects (see Paragraphs 2 – 4).

2. **Scope.** All projects for which Reclamation is responsible that include DEC will be subject to the independent DEC oversight requirements contained in this Policy. Subject projects include construction, upgrades, renovations, modifications, rehabilitations, alterations, maintenance, repairs, etc.

- A. **Exceptions.** There are two categorical exceptions to the DEC oversight requirement stated in this Policy.

¹ Descriptions, responsibilities, requirements, procedures, etc., for Reclamation's planning, design, cost estimating and construction can be found in Reclamation Manual documents including, but not limited to: *Construction Activities* (FAC 03-02); *Cost Estimating* (FAC TRMR-8 and FAC TRMR-9); *Construction Cost Estimates and Project Cost Estimates* (FAC TRMR-10); *Representation and Referencing of Cost Estimates in Bureau of Reclamation Documents Used for Planning, Design and Construction* (FAC TRMR-11); *Design Activities* (FAC 03-03); *Feasibility Studies* (CMP 05-02); *General Planning Activities* (CMP 05-03); *Geographically Defined Program* (CMP 05-01); *Instructions on Budgeting for Construction – Estimates, Schedules, and Supporting Documents* (BGT 01-04); *Maintenance of Design and Construction Technical Capabilities* (FAC 03-01); and *Performing Design and Construction Activities* (FAC P03).

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- (1) The Dam Safety Program already includes a comprehensive decision-making and extensive independent review process. Therefore, Dam Safety projects will not require a separate DEC review and are given a waiver from the DEC process. Reclamation Dam Safety Program requirements can be found at in Reclamation Manual Directive and Standard (D&S), *Dam Safety Program (FAC 06-01)*.
- (2) Some existing decisionmaking partnerships involving customers, including those associated with management of power revenues may be determined to provide adequate oversight mechanisms, and thus be excluded from the need to comply with the DEC oversight requirements of this Policy. Requests for release from these DEC oversight requirements due to an existing partnership will be on a case-by-case basis, and will be forwarded to the Deputy Commissioner for Operations for approval/disapproval.

3. Responsibilities.

- A. **Commissioner.** The Commissioner is ultimately responsible for the quality of Reclamation projects and the credibility of the organization as judged by performance related to its projects.
- B. **Deputy Commissioner for Operations.** The Deputy Commissioner for Operations provides executive level leadership for DEC oversight functions and activities. He/she approves/disapproves requests for projects requesting a review and those projects requesting a release from this Policy's requirements. He/she works with the Director, Technical Resources and the Regional Directors (RD) to resolve major issues identified during DEC project reviews.
- C. **Regional Directors (RD)**². RDs will work with their area managers (AM) and others to identify all DEC projects in their geographic area that are over \$10 million (see Paragraph 4.A.(1)), or less than \$10 million and present substantial corporate risk (see Paragraph 4.A.(2)). They will submit identified projects for oversight review or propose them for exclusion (see Paragraph 2.A.). As managers of programs RDs are responsible for ensuring projects receive broad corporate perspective reviews to identify policy, legal, partner/stakeholder, and/or public issues, impacts, and/or ramifications of a corporate nature that may not be evident from the technical or local perspective. The RD, working with the Director, Technical Resources, approves DEC review findings and recommendations for transmittal to the Deputy Commissioner for Operations. He/she works with the Director, Technical Resources and the Deputy

² Another Director (e.g., Safety, Security and Law Enforcement, Research and Development, Technical Service Center) is bound by these responsibilities when he/she, in lieu of an RD, is responsible for a project qualifying for DEC oversight review.

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Commissioner for Operations to resolve major issues identified during DEC oversight reviews.

D. **Director, Technical Resources.** Provides executive level supervision to the Senior Advisor, DEC. The Director, working with the responsible RD, approves DEC review findings and recommendations for transmittal to the Deputy Commissioner for Operations. He/she will ensure that pertinent information of corporate value that emanates from independent DEC oversight reviews of projects is communicated throughout Reclamation. He/she works with the responsible RD and the Deputy Commissioner for Operations to resolve major issues identified during DEC oversight reviews.

E. **Senior Advisor, DEC.** He/she manages the operation of the DEC Office and reports to the Director, Technical Resources. He/she provides timely, cost effective DEC oversight through management of independent oversight reviews of specific DEC projects. He/she compiles and manages the corporate project review schedule. He/she works with the ad hoc DEC project review teams, RDs, and AMs to resolve issues identified during DEC oversight reviews. The Senior Advisor, DEC compiles findings and recommendations from DEC reviews, tracks responses and reports to the Director, Technical Resources on disposition.

4. Performing Independent DEC Oversight Reviews (Oversight Reviews).

A. **Selecting Projects for Oversight Reviews.** All Reclamation DEC projects will be considered for oversight review. A project will be submitted by the responsible RD to the DEC Oversight Office for review when any of the following criteria is met:

- (1) It is anticipated or estimated by the RD that a project will have a total cost, at completion, greater than \$10 million and is at least at a feasibility level of development.³
- (2) The project is going to be the subject of a report which is going to be publicly released or provided to Congress and if it is reasonably likely that the report will be politically sensitive or controversial, or it will be used by project proponents to seek Congressional authorizations or appropriations; including projects at less than the feasibility development level and /or where the total anticipated cost is less than the \$10 million threshold.

³ \$10 million is established as a significant and major design and construction investment threshold in the Department of the Interior Capital Planning and Investment Control Guide, Version 1.0, December 2002, and the 2005 Budget Request Formulation Guidance, dated April 1, 2003, signed by Assistant Secretary for Policy, Management and Budget.

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- (3) The Deputy Commissioner for Operations determines the project will undergo oversight review.
- B. Commencement of and Frequency of Oversight Reviews.** Oversight review will occur on projects that require review as early as practicable and prudent, but at least before DEC information and/or data are made available to be utilized by partners, stakeholders, or other interested parties. Some major and/complex DEC projects may require more than one oversight review, at the discretion of the RD.
- C. Primary Characteristics of Oversight Reviews.** All oversight reviews will be:
- (1) Performed under the direction of the Senior Advisor, DEC by qualified ad hoc team members (government or contracted staff) who have not directly participated in the project being reviewed.
 - (2) Value added and performed in a timely and cost effective manner.
 - (3) Full and comprehensive reviews of all components and details of the project designs, construction considerations and cost estimates being reviewed.
 - (4) Conducted to verify that all major risks and uncertainties inherent in the project have been identified and effective measures and activities to manage these risks and uncertainties have been established.
 - (5) ~~Conducted to verify that project designs and estimates are in compliance with Reclamation Policy and D&Ss.~~
 - (6) Technical reviews of designs, estimates and construction considerations depicted in the project documents, but are not substitutes for conducting technical or a peer review, nor a value analysis as required by Reclamation Policy and D&S. One component of the oversight review will be a determination that technical and/or peer reviews, and value analysis studies required by Policy and D&S have been performed or are scheduled to be performed to acceptable technical standards and guidelines.
- D. Oversight Review Reports.**
- (1) Each oversight review will be documented in an oversight review report prepared under the direction of the Senior Advisor, DEC. The Senior Advisor, DEC will transmit a copy of the teams' final independent review report to the responsible RD and to the Director, Technical Resources.

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- (2) The responsible Regional Director and the Director, Technical Resources, will collaborate to reach a mutual decision as to which findings and recommendations in the independent DEC report regarding engineering designs, cost estimates, and construction costs will be accepted and which will not. They will document their conclusions and decisions, and the reasoning therefore, in writing in a jointly signed document which will be formally transmitted to the Deputy Commissioner for Operations for information. This will conclude the process. If for any reason the Regional Director and the Director, Technical Resources, are not in agreement, they will elevate the matter to the Deputy Commissioner for Operations for a final decision. This final decision is to be documented in writing and will conclude the process.

- (3) See Reclamation Manual Temporary Release D&S, *Identifying Design, Cost Estimating, and Construction Projects for which Independent Oversight Review is Required, and Performing those Reviews* (FAC TRMR-13), for requirements for performing oversight reviews.

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Subject: Cost Estimating

Purpose: To ensure all cost estimates required to support Reclamation's mission are effectively prepared, reviewed, and properly used. The benefits to the Agency include improved quality and consistency of cost estimates, the facilitation of corporate oversight for these projects to support successful project accomplishment, improved ability to maintain credibility with water and power users and other customers, and otherwise sustain Reclamation's credibility.

Authority: Reclamation Project Act of 1902 as amended, Reclamation Safety of Dams Act of 1978 as amended, and specific authorizing legislation

Approving Official: Commissioner

Contact: Director, Technical Resources, 86-60000

1. **Introduction.** This Policy along with its supporting Directives and Standards (D&S) describes the levels of cost estimates prepared by or for Reclamation in support of its studies, projects, and programs. It also identifies the organizational entities responsible for the completion and application of these estimates.
2. **Scope.** Different levels of cost estimates are required to plan, seek authorization and appropriations, design, construct, and operate and maintain Reclamation's projects. Reclamation's cost estimates are to meet standards and requirements necessary to fulfill their intended function and are to reflect reasonable and defensible expectations of costs commensurate with their purpose. The critical elements for an effective cost estimating program along with the risks and uncertainties of cost estimates are presented in the supporting D&S for this Policy along with the Technical Service Center (TSC) *Cost Estimating Handbook*.
 - A. Reclamation Manual (RM) Temporary Release D&S, *Cost Estimating* (FAC TRMR-9), describes specific levels of estimates along with the attributes of each. As a project moves through its development and implementation, subsequent cost estimates reflect increasingly more detail and refinement of the project attributes and supporting design data. Only the levels of estimates listed in that document will be acknowledged as official Reclamation cost estimates. Refer to RM Temporary Release D&S, *Representation and Referencing of Cost Estimates in Bureau of Reclamation Documents Used for Planning, Design, and Construction* (FAC TRMR-11) for how various levels of cost estimates are to be used.

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- B. RM Temporary Release D&S, *Construction Cost Estimates and Project Cost Estimates* (FAC TRMR-10), identifies how cost estimates are used in the development and maintenance of the Construction Cost Estimate (CCE) and Project Cost Estimate (PCE). CCEs and PCEs are utilized for new construction.
 - C. This Policy and its supporting D&S apply to all Reclamation projects, new and existing, regardless of the funding source.
3. **Definitions.** Definitions of key terminology and acronyms are included in *Cost Estimating* (FAC TRMR-9) and the *TSC Cost Estimating Handbook*.
 4. **Sequence of Development of Cost Estimates.** Reclamation uses a variety of terminology to describe the sequence of project activities from inception through operation. A project's status describes, in general terms, the types of activities underway in support of a project's development. Several stages of project development are delineated within each category of project status. A series of increasingly refined cost estimates are prepared as a project moves through these stages. The levels of estimates are described in Paragraph 5 of *Cost Estimating* (FAC TRMR-9). The following table summarizes the relationships among the project status, stage and level of cost estimate produced and recognized:

PROJECT STATUS	PROJECT STAGE	LEVEL OF ESTIMATE PRODUCED
Planning	Planning	Preliminary
		Appraisal
		Feasibility
Construction	Design	Percent Design [Updated feasibility] Prevalidation of Funds
	Solicitation	Independent Government Cost Estimate [Award]
	Construction	Independent Government Cost Estimate [Contract Modifications]
Operation and Maintenance	Operations	One or more of the previously identified estimates

5. **Special Studies.** These are special studies as defined in Paragraph 2.B. of RM D&S, *Geographically Defined Program (GDP)* (CMP 05-01).
6. **Responsibilities.** The responsibilities in preparing, reviewing, and using cost estimates are as follows:
 - A. **Deputy Commissioner Operations** is responsible for formally establishing the current official PCE.

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- B. **Deputy Commissioner, External and Intergovernmental Affairs** is responsible for taking actions as appropriate to address the need for legislation for new project authorizations and/or amending existing project authorizations.
- C. **Deputy Commissioner, Policy, Administration, and Budget** is responsible for working through appropriate channels within the Department of the Interior and in conjunction with the Office of Management and Budget to apprise appropriate committees of the Congress of the most current cost estimates (PCEs, Safety of Dams Modification Reports, etc.).
- D. **Regional Director** is responsible for:
- (1) Ensuring that all estimates to support Reclamation's mission are performed in accordance with this Policy and the D&S which support this Policy.
 - (2) Ensuring that all cost estimates, including those prepared by non-Reclamation personnel, meeting the criteria for review as outlined in RM Temporary Release Policy, *Independent Oversight of Design, Cost Estimating, and Construction* (FAC TRMR-12) are appropriately reviewed. Federal Acquisition Regulation 48 CFR 36.203 has additional information regarding the established monetary thresholds in the development of Government cost estimates.
 - (3) Annually updating the PCE, and reporting promptly any adjustments that must be made to the appropriations ceiling to the Office of the Commissioner, and providing informational copies of the updated PCE and supporting documentation to the Director, TSC.
 - (4) Maintaining a chronological and comprehensive historical record of all official cost estimates for projects within their region. The CCEs shall be developed and kept current. All revisions to the CCE, along with changes to the project plan, are to be recorded promptly and accurately in the PCE.
- E. **Director, Technical Resources** is responsible for providing oversight of the promulgation of Reclamation-wide cost estimating Policy and the D&S promulgated from this Policy to ensure high quality estimates Reclamation-wide.
- F. **Director, Technical Service Center** is responsible for:
- (1) Developing and promulgating all Reclamation-wide cost estimating Policy, D&S, and guidelines.

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- (2) Preparing and publishing Reclamation's *Construction Cost Trends*, and reviewing and approving any local area cost indexes prepared by regional staff.
 - (3) Preparing cost estimates for all physical features designed by TSC staff.
 - (4) Providing technical support to Reclamation and non-Reclamation clients (as appropriate) to:
 - (a) Prepare or review cost estimates and the designs upon which they are based.
 - (b) Provide cost evaluation services for bid review and cost proposal analysis and negotiations.
 - (c) Prepare plant account and property class assignment reports for CCEs.
-