

STEVEN J. ISAKOWITZ NOMINATION

HEARING
BEFORE THE
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
ONE HUNDRED TENTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF STEVEN J. ISAKOWITZ TO BE CHIEF FINANCIAL
OFFICER OF THE DEPARTMENT OF ENERGY

MARCH 20, 2007



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STEVEN J. JEFFREY ISAKOWITZ NOMINATION

TUESDAY, MARCH 20, 2007

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room SD-366, Dirksen Senate Office Building, Hon. Jeff Bingaman, chairman, presiding.

OPENING STATEMENT OF HON. JEFF BINGAMAN, U.S. SENATOR FROM NEW MEXICO

The CHAIRMAN. Why don't we go ahead here? Senator Thomas has arrived. I think Senator Domenici is on his way.

This morning's hearing is on President Bush's nomination of Steven Isakowitz to be the Chief Financial Officer for the Department of Energy.

Congress created the post of Chief Financial Officer in each of the major executive agencies in 1990 to, "Bring more effective general and financial management practices" to the agencies. The act requires Chief Financial Officers to possess demonstrated ability in general management, as well as extensive practical experience in financial management practices, in large governmental or business entities.

If confirmed, Mr. Isakowitz will bring to the Department of Energy many years of experience as the Chief of Science and Space Programs at the Office of Management and Budget. As Deputy Chief Financial Officer and Comptroller at the National Aeronautics and Space Administration. And, most recently, as Senior Intelligence Officer in the Science and Technology Directorate at the CIA. We're glad to welcome him to the committee and to consider his nomination.

Let me just see if Senator Thomas had any statement he wanted to make at this point before we swear in the witness.

STATEMENT OF HON. CRAIG THOMAS, U.S. SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman.

I want to welcome our victim this morning. We're delighted to have you here, and certainly the financial management of these groups is terribly important. I understand that you're more involved in the actual management of the funding than you are to the decisions as to where the funding goes, I suppose. But, we're very concerned about good use of the money, in energy particularly,

where it's going and that it gets to the places where it's designed to go.

We've been a little frustrated from time to time and we passed some bills here that would have established some things that we would like to see happen. Frankly, they haven't happened and so we look forward to working with you and trying to cause this to be as efficient as we can in providing assistance to energy.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. The rules of the committee, that apply to all nominees, require that they be sworn in in connection with their testimony.

Let me ask you to stand and raise your right hand, Mr. Isakowitz. Do you solemnly swear that the testimony you're about to give to the Senate Committee on Energy and Natural Resources shall be the truth, the whole truth, and nothing but the truth?

Mr. ISAKOWITZ. I do.

The CHAIRMAN. Please be seated. Before you begin your statement, let me ask you three questions that we address to each nominee before this committee.

First question, will you be available to appear before this committee and other congressional committees to represent departmental positions and respond to issues of concern to the Congress?

Mr. ISAKOWITZ. I will.

The CHAIRMAN. Second question, are you aware of any personal holdings, investments, or interests that could constitute a conflict of interest, or create the appearance of such a conflict, should you be confirmed and assume the office to which you've been nominated by the President?

Mr. ISAKOWITZ. My investments, personal holdings, and other interests have been reviewed, both by myself and the appropriate ethics counselors within the Federal Government.

I have taken appropriate action to avoid any conflicts of interests. There are no conflicts of interests or appearances thereof, to my knowledge.

The CHAIRMAN. And the third question, are you involved or do you have any assets held in a blind trust?

Mr. ISAKOWITZ. No.

The CHAIRMAN. Let me, at this point, invite you to introduce any family members that are here with you, if you would like to do that, and then recognize you for your opening statement.

Mr. ISAKOWITZ. Thank you. I'd like to introduce my family that's with me here today. This is my wife Monica, whose been a devoted wife for 20 years and done a wonderful job raising the kids while I've been busy at work. I have three of my four kids here with me. Jennifer, who is a junior at Chantilly High School. I have Rachel, who's a seventh grader at Franklin Middle School, and my youngest Sophie, who is a sixth grader at Oak Hill Elementary. I also have with me, my father-in-law, Mike Sponder, and my sister Cheryl Horowitz.

The CHAIRMAN. Well, we welcome all of you. Nice of you to be here today. Why don't you go ahead with your opening statement?

**TESTIMONY OF STEVEN J. ISAKOWITZ, NOMINEE TO BE CHIEF
FINANCIAL OFFICER, DEPARTMENT OF ENERGY**

Mr. ISAKOWITZ. Thank you.

Mr. Chairman and members of the committee, I am sincerely honored to appear before you today as the President's nominee to serve as the Chief Financial Officer at the Department of Energy. I am fully aware of the challenges that face the person who holds this position, and I am deeply appreciative of the President and Secretary Bodman's confidence in my abilities to meet those challenges. I also want to thank the committee for holding this hearing and considering my nomination. And I'd also like to recognize and thank Clay Sell, the Department Deputy Secretary for being here today.

I would also like to recognize my parents for being a shining example of hard work, honesty, and integrity. My mother and recently-deceased father are both survivors of the Holocaust. Indeed, their example has ingrained in me the importance of freedom, justice, and tolerance, and the desire to leave our children a better world. I share those principals and am thankful and honored to serve a government that does, too.

My career ambitions were instilled in me at an early age. During my childhood, I was inspired by the Apollo program as I watched in amazement as this nation, galvanized by a President's vision, landed a man on the moon. I was compelled by the notion of a Nation undertaking something that appeared impossible, yet by ingenuity and partnership of government and industry, made it happen.

Starting with literally nothing, hardly the ability to orbit a satellite, we achieved the national goal of stepping on the moon. Consequently, throughout my career, I have been driven and motivated by the desire to fulfill large national goals. In particular, I am drawn to big goals that require the innovative applications of science and technology to get it done.

Indeed, after receiving engineering degrees from MIT, my career has spanned 23 years across a variety of positions both technical and financial in pursuit of major national goals.

I began my career in the private sector. Wanting to be a true rocket scientist, I was engaged in the engineering design and business planning of efforts to privatize and commercialize space launch vehicles. However, I quickly learned that the success of such goals can often depend on the Government establishing the right policies and conditions for enabling private industry to succeed. So, I decided to join the Government in 1991.

At the Office of Management of Budget, I had the honor of serving under three different Presidents, overseeing a roughly \$50 billion budget of science and technology across multiple Federal agencies, and supporting the development of major interagency initiatives, such as high performance computing and nanotechnology research. I learned to appreciate the importance of establishing clear policies, setting budget priorities, ensuring the agencies have the wherewithal to execute as planned, and working closely with the Congress throughout.

After OMB, I chose to work within agencies in pursuit of major national goals, namely, space exploration and national security. At

NASA, I was Deputy CFO and Comptroller, responsible for directing the formulation and evaluation of the agency's \$16 billion annual budget, developing the agency's strategic plan, conducting independent cost analyses for major programs, and managing first-in-government financial reforms to improve program performance.

At the CIA, I am working within its Science and Technology Directorate and am responsible for devising innovative technical collection systems, strengthening advance research capabilities within the Agency, and resolving high-priority issues with other agencies in the intelligence community.

These experiences have taught me the criticality of achieving success through strong agency leadership, effective communications, capable workforce and institutions, sound financial systems and acquisition management, and the close partnership with private industry and academia.

If confirmed, I plan to apply my experience and excitement for meeting national challenges as the CFO at the DOE. The Department stands at the nexus of economic, national security, and environmental goals that are at the top of the Nation's goals. I am anxious to roll up my sleeves and join a team that is focused on getting the job done.

The Department has an impressive array of laboratories, workforce, major programs, and unique industry and academic partners. Indeed, it is an agency addressing national goals of paramount importance, as ambitious as landing an astronaut on the moon.

If confirmed, I will work hard as the CFO to support the mission priorities of the Department. I look forward to working closely with the committee and the Congress and will be fully available to address the critical issues important to you.

It is indeed a high honor and privilege to be considered for this position and have the opportunity to so serve our Nation.

Mr. Chairman, this concludes my prepared statement. I would be glad to answer the committee's questions at this time.

[The prepared statement of Mr. Isakowitz follows:]

PREPARED STATEMENT OF STEVEN J. ISAKOWITZ, NOMINEE TO BE CHIEF FINANCIAL OFFICER, DEPARTMENT OF ENERGY

Mr. Chairman, Senator Domenici, and Members of the Committee, I am sincerely honored to appear before you today as the President's nominee to serve as the Chief Financial Officer at the Department of Energy. I am fully aware of the challenges that face the person who holds this position, and I am deeply appreciative of the President's and Secretary Bodman's confidence in my abilities to meet those challenges. I also want to thank the Committee for holding this hearing and considering my nomination.

I would like to introduce my wife Monica who has been a wonderful companion in our 20 years of marriage and deserves my endless devotion and thanks for taking care of our family and supporting me throughout my career. Also with us are three of our four children: Jennifer a junior at Chantilly High School, Rachel a seventh grader at Franklin Middle School, and Sophie a sixth grader at Oak Hill Elementary. I also want to recognize my son Matthew who could not be here today because of his obligations as a sophomore at Princeton University. Monica and I are very proud of all four of our children.

I would also like to recognize my parents for being a shining example of hard work, honesty, and integrity. My mother and recently deceased father are both survivors of the Holocaust. Indeed, their example has ingrained in me the importance of freedom, justice, and tolerance, and the desire to leave our children a better world. I share those principals and am thankful and honored to serve a government that does too.

My career ambitions were instilled in me at an early age. During my childhood, I was inspired by the Apollo program as I watched in amazement as this nation, galvanized by a President's vision, landed a man on the moon. I was compelled by the notion of a nation undertaking something that appeared impossible, yet by the ingenuity and partnership of government and industry, made it happen. Starting with literally nothing, hardly the ability to orbit a satellite, we achieved the national goal of stepping on the moon. Consequently, throughout my career, I have been driven and motivated by the desire to fulfill large national goals. In particular, I am drawn to big goals that require the innovative application of science and technology to get it done. Indeed, after receiving engineering degrees from the Massachusetts Institute of Technology, my career has spanned 23 years across a variety of positions both technical and financial in the public and private sectors in the pursuit of major national goals.

I began my career in the private sector. Wanting to be a true rocket scientist, I was engaged in the engineering design and business planning of efforts to privatize and commercialize space launch vehicles as called for by President Reagan after the failure of Space Shuttle Challenger. However, I quickly learned that the success of such goals can often depend on the government establishing the right policies and conditions for enabling private industry to succeed. So, I decided to join the government in 1991 and held positions that would enable me to initiate and support major undertakings of national importance, applying my interest and skills in engineering, project management and business planning.

At the Office of Management of Budget, I had the honor of serving under three different Presidents, overseeing a roughly \$50 billion budget of science and technology across multiple Federal agencies, and supporting the development of major interagency initiatives such as high performance computing and nanotechnology research. I worked with various agencies to establish appropriate funding levels and monitored their financial and technical performance in getting the job done. I learned to appreciate the importance of establishing clear policies, setting budget priorities, ensuring the agencies have the wherewithal to execute as planned, and working closely with the Congress throughout.

After OMB, I chose to work within agencies in pursuit of major national goals, namely, space exploration and national security. At the National Aeronautics and Space Administration, I was the Deputy Chief Financial Officer and Comptroller responsible for directing the formulation and evaluation of the agency's \$16 billion annual budget, developing the agency's strategic plan, conducting independent cost analyses for major programs, and managing first-in-government financial reforms to improve program performance. At the Central Intelligence Agency, I am working within its Science & Technology Directorate and am responsible for devising innovative technical collection systems for use against challenging intelligence targets, strengthening advanced research capabilities within the Agency, and resolving high priority issues with other agencies in the intelligence community. These experiences have taught me the criticality of achieving success through strong agency leadership, effective communications, capable workforce and institutions, sound financial systems and acquisition management, and the close partnership with private industry and academia.

If confirmed, I plan to apply my experience and excitement for meeting national challenges as the Chief Financial Officer at the Department of Energy. The Department stands at the nexus of economic, national security and environmental goals that are at the top of the nation's agenda. I am anxious to roll up my sleeves and join a team that is focused on getting the job done. The Department has an impressive array of world class labs, highly specialized workforce skills, major multi-year programs, and unique industry and academic partners. Indeed, it is an agency addressing national goals of paramount importance, as ambitious as landing an astronaut on the moon. If confirmed, I will work hard as the CFO to support the mission priorities of the Department. I look forward to working closely with the Committee and the Congress and will be fully available to address the critical issues important to you.

It is indeed a high honor and privilege to be considered for this position and have the opportunity to so serve our nation.

Mr. Chairman, this concludes my prepared statement. I would be glad to answer the committee's questions at this time.

The CHAIRMAN. Thank you very much. Before we start questions, let me just call on Senator Domenici for any opening statement that he would have at this point.

**STATEMENT OF HON. PETE V. DOMENICI, U.S. SENATOR
FROM NEW MEXICO**

Senator DOMENICI. Thank you very much. I have a very brief statement. Good morning to you and welcome to the committee.

Mr. ISAKOWITZ. Thank you.

Senator DOMENICI. First, I want to thank the chairman, Senator Bingaman, for promptly holding this hearing for the Chief Financial Officer position at the Department of Energy. The position has been open for some months and it is difficult for the Department to continue without a permanent appointment.

Mr. Isakowitz, I want to thank you for your willingness to understand this responsibility. The Department's program and facilities are critical to almost all of the energy policy that we develop here in Congress. New management of the financial part of the Department's resources will be crucial to successful implementation of the energy policy that we craft. I welcome your testimony today, and hope that we can quickly move your nomination to the floor of the Senate.

Thank you, Mr. Chairman.

And thank you, sir.

Mr. ISAKOWITZ. Thank you.

The CHAIRMAN. Thank you.

Let me just start with a couple of questions. One issue that we have come back to many times here in the committee in the last couple of months is this issue of the loan guarantee program that was in our Energy Policy Act of 2005. The Department's been slow in getting that program started. I think many on the committee have expressed their frustration about that.

The Government Accountability Office has also voiced concerns that the Department has not done a great deal to put in place the policies and procedures and mechanisms needed to ensure that the financial risks involved in this loan guarantee program are well managed.

If you're confirmed as the Chief Financial Officer for the Department, what would you believe your role might be in ensuring both that the program get up and running, but also that the financial risks are well managed in that program?

Mr. ISAKOWITZ. Thank you, Mr. Chairman.

Indeed, over the last couple weeks I've had a chance to meet with members of this committee and their staff and I don't think there's been a single meeting I have gone to where this issue of the loan guarantee hasn't been raised as a top priority of the committee.

So, given that it clearly is important to the committee, given that I see it's important as part of the Energy Policy Act of 2005, it's clearly going to be a priority of mine, if confirmed, for CFO for the Department.

Once I get there, clearly, this will be something that I know that the Department has started to put in place those procedures, has begun to request the money to stand up an office. I understand that the CFO will have a key role in that regard. I'm not at the Department yet, but certainly, once I get there, I will try to—quick as I can get up to speed and certainly be happy to come back to you, your office, and have discussions on how best to go forward.

The CHAIRMAN. Thank you for that answer.

One of the recent jobs you had is with NASA. You were the Deputy Chief Financial Officer and Comptroller from 2002 to 2005, early 2005.

The Government Accountability Office has been very critical of NASA's financial management system since, at least, 1990. GAO's concerns arose long before you arrived at NASA and they continue today after you've left NASA. But, could you elaborate for the committee some of the steps that you took to try to address GAO's concerns and improve the financial management, at NASA, while you were the Deputy CFO?

Mr. ISAKOWITZ. Yes. Thank you. As you point out, financial management has been, not only a challenge, actually at NASA, but other major agencies. Particularly agencies that are like NASA, having a lot of contract activity. Financial management systems are critical when you're trying to operate, particularly multiple laboratories.

Contract management is an issue that has been raised by the Government Accountability Office, and faces Departments like Defense, Energy, and NASA. And, at NASA, we were one of the first in the Federal Government to introduce a new financial management system. As has been the case, whether it's in private industry or in government, the introduction of these new systems can often be disruptive at first, but ultimately they provide high dividends.

In the case of NASA, when I got there in 2002, we had 10 NASA centers, each operating their own financial management system. And indeed, at the time, the auditors thought that things were okay until we brought on-line this new financial management system that all centers were required to use. And as a result, we started to uncover a lot of problems across the board, not only with the system itself, but some of the ways the accounting was done at the various centers.

So, in the 3½ years that I was there, we were able to uncover a number of the problems, working with the auditors. We did get qualified opinions on audit statements, but at least we were able to address issues that heretofore, actually, some did not even know existed. And, I felt that that was a major step forward.

Also, in that regard, the financial management system has been critical for tracking the performance of contractors. And, knowing that it would take time to get the financial management system up, we actually had gone forward, while I was Comptroller, and began to institute changes that would put more rigor and discipline on how we provide the oversight of contracts.

For example, when I got there we had a major problem on the Space Station program. It was about a \$4.5 billion cost overrun and we made it one of our top priorities. By the time we had left, we had significantly reduced the size of that overrun and even as of today, the program is on much more sound financial footing just based on the interim capabilities we were putting in place.

The CHAIRMAN. Thank you very much. My time's up.

Senator Domenici.

Senator DOMENICI. Well, Senator, I think, since we're on the subject, maybe we will stay on it just a while longer.

I can't imagine how a department can get a mission charge, like it has in the new bill that created the Energy Policy Act. I don't

understand how it can—and not have a position and an office to fill this mandate that's there, and part of its operation. It seems to me that it's almost negligence on the part of somebody not to do it.

I don't understand where—where does it come from? Have you had enough time to look at what's going on and determine why we can't get it established after all this time? We will soon be in the third year. There are loan guarantee offices throughout government, aren't there? Am I mistaken, I thought there have been loan guarantees at agriculture for a long, long time? They never closed them down, one Administration to another. They just kept them, right? To my knowledge, I don't understand what's going on. Do you have an explanation for what's going on, or is it nobody wants to squeal on anybody else, or what's the story?

Mr. ISAKOWITZ. Senator, I appreciate the importance and urgency you're putting behind the loan guarantee program. I'm not at the Department yet. As soon as I get there, I will have the opportunity to find out, you know, what are the obstacles and what are the issues before it.

Senator DOMENICI. I understand that's not a great question to put to somebody who hasn't been approved yet and will soon be joining them. It would be better to answer that question in a way in which we would get your answer, but they would not, but that can't happen.

Actually, I think there's also been some arguing between the appropriators on the House side and here as to where they should—House arguing that they should not let the money, let any money out of the appropriation programs to take care of this. Without that, obviously you don't have the—the way that the program works is with setting it up with an operating budget and the like.

You don't, without answering with specificity, just generally, if charged with setting up an office for this purpose and with this mission you accede, you have no reason to be against doing that. Is that a fair statement?

Mr. ISAKOWITZ. Yes sir, that's a fair statement.

Senator DOMENICI. All right. I have no further questions, maybe one.

Do you know how long it might, under normal circumstances, take to get an office going and open so that those out in hinterland trying to establish this kind of activity know that we have one up and running, ready to go? Do you have any feelings on that?

Mr. ISAKOWITZ. The short answer is, no. I do know that the Department has asked for funding to, in fact, establish an office. And, it was my understanding that when USDA also had created their loan guarantee program, it took them 3 years to stand it up.

Having said that, I'm sure the circumstances vary by department and they are unique to departments, so I can't speak to how long it would take for this Department until I get there.

Senator DOMENICI. Good luck.

The CHAIRMAN. Senator Thomas.

Senator THOMAS. Thank you.

You mentioned in your statement that you would be involved in making independent cost analysis of various kinds of things. DOE has seen increasing costs of a 50 to 60 percent FutureGen. Now

these new costs will split, of course, between the Agency and others. What role would you have as CFO in projecting these costs and do you believe we could do a better job of managing these kinds of costs?

Mr. ISAKOWITZ. Yes, if confirmed, this is one of the things I will, personally, have a strong interest in, is to better establish what my role will be in exactly that. In the case of NASA, it was a high priority of mine, because cost growth is not a unique problem to the Department of Energy. You see it at all the major departments that are, particularly, trying to build one of a kind, high-risk hardware and new systems.

At NASA, what we had tried to put in place—practices—best practices, that would empower the program management to kind of make the decisions so they can move expeditiously, make sure that we had milestone reviews, and acquisition strategies, so at the appropriate points in time we could review the status of a program.

And, particularly, what helped us is a—what we looked at in the case of NASA—we found that usually it's at the front end of programs that the cost growth occurs. That is usually when you get past about 20 percent in spending on your program, the program tends to settle down. So, the key is understanding up front where your risks are, to address those risks, to identify early, so that the program manager and contractors understand, and to establish decision gates along the way to make sure that they're meeting the promises that are made, and then you approve of them at the appropriate points.

It's not a unique problem, and it's a hard one to fix, but, I think, we've learned a lot in the Federal Government in the last few decades on things that work well, and not so well, and I hope to be able to apply some of those best practices.

Senator THOMAS. That's good.

What is the CFO's responsibility and role? I mean, is it just simply allocating and overseeing the expenditures that are approved by someone else, or is there a role in ensuring and having ways to ensure that the programs are done as efficiently from a financial standpoint as possible?

Mr. ISAKOWITZ. You raise an excellent point, Senator. It's much more than just tracking where the dollars go. It's ensuring that the programs meet the objectives that they've set before them and the promises made to the Congress.

One of the key responsibilities of a CFO is to track the performance of programs, in fact, to report them to the Congress as part of the budget submission that is sent up every February.

I personally see it as a very high priority of mine to understand the programs and to provide independent counsel to the Deputy Secretary and the Secretary on those issues, if confirmed.

Senator THOMAS. Well, of course, it's a little difficult when you're just entering into it, where we've been dealing with some of these issues. But, the increasing cost thing that I mentioned on FutureGen is very much a concern and Global Nuclear Energy Partnership, as well. Now, I don't believe these are bad programs. The clean coal technology and recycling nuclear waste are essential components of that, but we need to know what we're getting our-

selves into. And, are there ways to ensure that the Global Nuclear Partnership does not balloon in cost, as FutureGen has?

Mr. ISAKOWITZ. I'm not sure that we could ever provide guarantees for programs that are of a risky nature, such as a GNEP and some of the other significant R&D activities at the Department.

But, I do think that there's practices that you can put in place to identify risks up front, to bring in people who have outside expertise to look at programs, to help you identify where those risks are, and to set up, as I said earlier, those milestones to ensure that those risks are addressed up front so that before you give a final contract and just let things move out—only to find out halfway through that you've got a big problem—we try to identify those problems as early as possible.

And problems will occur, but if you can catch them at the front end it usually costs a lot less to fix it, then when you're halfway through these activities.

Senator THOMAS. Well, that's good. I hope we do remember that in the management of government programs, that over here there's the decision makers with regard to where we're going on policy. And, then there's somebody overseeing how that is implemented in terms of the finances. And, I think that's a very key issue.

We, of course, are faced with something of a dilemma, in terms of looking out in the future for alternative sources of energy, which is a good idea. On the other hand, understanding that that—those are a number of years away and that we have to provide for incentives, and loan guarantees, and other things for the things that we do know how to do—like clean coal, and nuclear power, and all those things in the mean time.

In any event, welcome to the area of interest and difficulties. But really, I think, the opportunity to do a great deal for our country and for our people to provide long-term energy opportunities and at the same time, provide the energy sources that we need to keep our economy going. So, we look forward to working with you. Thank you.

Mr. ISAKOWITZ. Thank you.

Senator THOMAS. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. There may be some additional questions that members of the committee want to have answered and we will allow that. Such additional questions may be filed with the committee staff up until 5 o'clock this evening. So, if any such questions are forthcoming, we would hope you could respond to those quickly and then we would hope we could act quickly on your nomination.

Thank you very much for being here, and we appreciate the Deputy Secretary being here with you.

And, we will conclude the hearing with that.

Thank you.

Mr. ISAKOWITZ. Thank you very much.

[Whereupon, at 10:35 a.m., the hearing was adjourned.]

APPENDIX
RESPONSES TO ADDITIONAL QUESTIONS

RESPONSE OF MR. ISAKOWITZ TO QUESTION FROM SENATOR BINGAMAN

Question. The Department of Energy is the largest civilian contracting agency in the Federal Government. It spends 90 percent of its annual budget on contracts to operate its facilities and carry out its many missions. The Government Accountability Office has reported that the Department takes much longer than anticipated to award most contracts, and that at least some of the delays are avoidable. GAO recommended that the Department develop more accurate and comprehensive performance measures for awarding contracts. Are you familiar with the GAO's recommendations and do you agree that these or similar steps need to be taken?

Answer. A GAO report issued on June 30, 2006, entitled "DOE Contracting: Better Performance Measures and Management Needed to Address Delays in Awarding Contracts," underscores the importance in planning and carrying out the contract award process and awarding contracts in a timely manner, since delays in awarding contracts could increase costs both to DOE and to companies competing for DOE work. The report cites a sampled set of competitive contracts and states that delays in some could have been avoided.

I share the GAO concern that Federal agencies, including DOE, need to be as accurate as reasonably possible in projecting dates for contract awards. Such dates are important to contractors in forming their teams and in maintaining the availability of critical personnel until the contract award date. As for DOE's performance on this matter, if confirmed, I will work with DOE's Office of Management, which is the DOE office primarily responsible for contract management, and seek to better understand the Department's metrics for assessing timeliness and the results to date. It is certainly in the interest of the CFO that resources be used as efficiently as possible by both the government and the contractor.

RESPONSES OF MR. ISAKOWITZ TO QUESTIONS FROM SENATOR WYDEN

Question 1. Contract management: Both at OMB and as the Deputy CFO at NASA you have been in key position to shape how NASA operates. I am not going to hold you responsible for everything that's happened at NASA for the past 17 years since you started at OMB, but I also can't ignore the fact that NASA is a very troubled agency, a dysfunctional agency. NASA has been on GAO's "High Risk" list since 1990. And that's been on your watch. DOE has also been on that list since 1990, for much the same reason—its inability to manage its contractors. Both agencies are completely dependent on contractors to carry out their missions and both are unable to manage them effectively. What assurances can you provide me that you can turn things around at DOE in terms of contract and contractor management when NASA's record is so poor and much of that poor management occurred on your watch?

Answer. I fully agree that contract management is a critical function of Federal agencies. Unfortunately, contract management issues are not new to the Federal government, as three of the most procurement intensive agencies—Department of Defense, NASA, and DOE—have all been cited by GAO as having contract management as a high risk. Although contract management was not my direct responsibility during my time at OMB and NASA, I worked very closely with OMB's Office of Federal Procurement Policy and NASA's Office of Procurement to address the issues. Similarly, if confirmed as CFO of DOE, I look forward to working with DOE's Office of Management to improve the performance of contract management.

GAO has cited contract management as a high risk issue for NASA since 1990, and I was at NASA from 2002-2005. GAO acknowledges in its more recent report that in the last few years progress has been made. This progress is a result of, among other things, instituting a new financial management system that began

during my time at NASA. The new financial management system, although with its own challenges, has been a pathfinder for many other federal agencies that seek to modernize their business operations. The NASA core financial system consolidated ten different financial systems into one, an ambitious undertaking. During my tenure at NASA, we were in the process of deploying a new contract management module to be added to the core financial system to improve program management and contractor oversight.

While the module was being developed, I led initiation of improved cost estimation procedures and tools, including creation of a new cost estimation cadre, new procedures for conducting independent cost analysis, and information technology tools for monitoring development projects. With these and other changes to include earned-value management and cost-risk analysis, we successfully reduced earlier projected cost overruns on the International Space Station program, and instituted changes that kept the program within budget. Moreover, my team received a White House award for being the first in the Federal government for getting a “green” rating on the President’s Management Agenda for budget performance integration, which is vital for linking resource decisions to program performance. Contract management is a major challenge for the Federal government, and I look forward to having the opportunity, if confirmed, to help address the issue at DOE.

Question 2. Energy expertise: Energy made it into the President’s State of the Union speech both this year and last year, but I couldn’t find even a single reference to energy in your resume. Basic research, yes. Energy, no. Not once. Yet, you’re being nominated as the CFO for the Energy Department. Oil is almost \$60 a barrel. There is a compelling need to address climate change. Have effective energy programs is not a luxury, it’s a necessity. What assurance can you give me that you have a working knowledge of industry? How do I know that programs like the new loan guarantee program called for by EPACT 2005 are not going to end up soaking the taxpayers?

Answer. I believe that I have the qualifications to be an effective Chief Financial Officer at the Department of Energy.

- First, I have a solid technical background having graduated from MIT with engineering degrees, and worked in both the private and public sector on major development projects, similar to DOE in terms of being high-risk and one-of-a-kind.
- Second, I can bring to DOE a diverse background and fresh perspective on major management issues such as financial operations, contract management, program evaluation, and project management. Having a different background from most at DOE may help avoid groupthink on issues and allow me to raise important questions that may otherwise be inadvertently omitted during decision meetings.
- Third, I am a quick learner, but I also know that it is often more important to find experts in various subject matters to help resolve issues than to try to do it alone. I look forward to reaching out to the expertise within DOE as well as those outside the Department to help address the tough issues.
- Lastly, my background applies to the type of issues that I would face at DOE. For example, at NASA I dealt with issues regarding major national labs, a highly technical workforce, complex development projects, and large procurement activities. At OMB, I worked on large interagency initiatives such as high performance computing and nanotechnology as well as policies to enhance fundamental research. In the private sector, I worked on commercial projects and development activities that depended on clear Federal policies and regulations.

I believe these experiences have direct relevance to DOE and will help prepare me for my responsibilities should I be confirmed as CFO at DOE.

I also understand that it is important that good procedures and practices be put in place for programs to succeed, such as the DOE loan guarantee program. The Federal government has a mixed history of success on such programs and there are many lessons learned to be applied. I look forward to working with the Committee and Congress and other key players to ensure that the program will ultimately prove successful for the U.S. taxpayer.

BUDGET ISSUES

Question 3a. For the second year in a row, the DOE requires BPA customers to make extra payments to the Treasury to reduce the Federal debt. These aren’t appropriated dollars. These are electric customers’ dollars. What assurance can you give me that these budget tricks are going to end?

Answer. If confirmed to be the CFO at DOE, I will place a high priority on the integrity, accuracy, and completeness of the Department's budget submission to the Congress and the need to be honest and forthright. I appreciate the importance of the Power Marketing Administrations and look forward to working with the Congress on matters affecting the PMAs' and their customers.

Question 3b. For the second year in a row, the DOE budget has zeroed out funding for two very promising energy technologies—geothermal and the next generation of hydroelectric technologies—tidal, wave, and ocean currents. MIT, which you attended, came out with a report saying we could have 100,000 megawatts of electricity—100 nuclear power plants worth—geothermal in the next 50 years if geothermal received adequate funding over the next 10 to 15 years. But the Department zeroed out the program. EPRI, in a 2005 study, said developing ocean wave energy technology in the U.S. could essentially equal the output of our conventional hydroelectric capacity, but DOE asked for zero for hydro technologies. As CFO what assurance can you give me that there is going to be a more objective, more balanced, more transparent process for deciding what energy research is funded? And that we are going to see funding for technologies like geothermal and ocean energy?

Answer. DOE certainly has an important role in shaping our nation's energy policy and investing in renewable energy technologies. Should I be confirmed as CFO, I will have a strong interest in a budget process that will be clear, credible and forthright when deciding and describing how decisions are made in providing the best possible portfolio of research programs with the limited funds we have to work with. As CFO, I work with the DOE leadership team to help articulate why the promising energy technologies are important, relevant, and appropriate for Federal investment; how funds will be allocated to ensure quality; and how programs will be monitored for performance. I will examine and learn more about promising energy technologies such as geothermal and ocean energy and the possible role for DOE.

Question 4. NASA Climate change: As you know, there has been a great deal of concern that NASA and White House officials have tried to muzzle NASA's scientists working on climate change and climate research such as Dr. James Hansen. What role, if any, did you play in overseeing NASA's climate research activities since 2000? What role, if any, did you play in overseeing the scientific integrity and independence of NASA's climate research since 2000?

Answer. Since 2000, I was involved in resource issues associated with NASA's earth science program while at the Office of Management and Budget (OMB) and NASA.

- At OMB, I was the Branch Chief for Science and Space Programs through 2002 and addressed budget issues associated with NASA's overall budget, including specific programs such as earth science.
- At NASA, I was the Deputy Chief Financial Officer and Comptroller and the Deputy Associate Administrator for Exploration from 2002 to 2005. When I was NASA Deputy CFO and Comptroller, I was responsible for the formulation and planning of the agency's budget, including earth science. When I was NASA's Deputy Associate Administrator for Exploration, I had no involvement with earth science.

For both my positions at OMB and at NASA, I had no direct role in overseeing the scientific integrity and independence of NASA's climate research.