

GAO

Report to the Ranking Minority Member,
Committee on Governmental Affairs,
U.S. Senate

July 1995

ENVIRONMENTAL MANAGEMENT

Impacts of Increases in DOE's Workforce





United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-260784

July 25, 1995

The Honorable John Glenn
Ranking Minority Member
Committee on Governmental
Affairs
United States Senate

Dear Senator Glenn:

In order to better manage the billions of dollars it is spending to clean up the nation's nuclear weapons complex, the Department of Energy (DOE) has initiated several productivity improvements. One such improvement included the hiring of up to 1,600 new employees, who are expected to save millions of dollars by replacing contractor staff and improving the productivity of the environmental cleanup. This effort resulted from the designation of DOE's Office of Environmental Management as a pilot project under the Government Performance and Results Act of 1993 (GPRA). The act requires federal agencies, beginning in 1997, to develop strategic plans and performance measures to improve their operations. The act also provides for the initiation of a series of pilot projects in fiscal years 1994, 1995, and 1996. The Office of Management and Budget (OMB), which coordinates GPRA pilot projects, allowed DOE, as part of its pilot project, to hire up to 1,200 new employees during fiscal years 1994 and 1995, and an additional 400 in fiscal year 1996.

This report responds to your request that we review DOE's process for hiring the new employees. We agreed to (1) identify the process DOE used to justify the new hires, (2) determine whether DOE's justifications support the claimed cost savings and productivity improvements, and (3) identify how DOE plans to assure itself that the expected cost savings and productivity improvements will be achieved.

Results in Brief

DOE used a competitive bidding process to justify the allocation of the initial 1,200 new positions to its field and headquarters offices involved in environmental cleanup. The offices were required to submit written bids detailing staff needs, the expected productivity improvements, and the associated cost savings. Collectively, the offices requested 1,575 new staff, referred to as full-time equivalents (FTE),¹ and estimated that the new staff could help save over \$1.235 billion in fiscal years 1995 and 1996. Savings

¹Each FTE represents one full-time staff person.

would occur as a result of increased federal oversight of contractors and greater federal involvement in contract management. DOE evaluated the bids, allocated the FTES to its field and headquarters offices, and lowered the 2-year savings target to about \$890 million. The savings target does not include the salaries and benefits for the new staff—about \$84 million annually for the initial 1,200 new staff.

Most of the productivity improvements and cost savings that the field offices estimated they could achieve were not adequately or completely justified, according to our review of DOE's bid analysis. That analysis concluded that about 87 percent—almost \$900 million—of the over \$1.035 billion in savings that were to accrue largely from productivity improvements had inadequate justifications. DOE management was also concerned about the justifications but believed that the bids were sufficient for allocating the FTES and establishing savings goals, and planned to hold office managers accountable for meeting those goals. Rather than waiting to see if productivity improvements occur, DOE is reducing Environmental Management's budget by almost \$300 million in fiscal year 1995 and possibly by greater amounts in future years.

Although budgets are being reduced, it is currently unknown whether productivity improvements will occur. To measure productivity improvements, DOE is developing procedures to collect, validate, and report the productivity improvements and resulting dollar savings the new staff are expected to achieve. These procedures are expected to be completed by the fourth quarter of fiscal year 1995.

Background

Since 1989, DOE has spent about \$23 billion cleaning up the environmental contamination resulting from over 50 years of nuclear weapons production. During this time, the agency has completed the restoration of less than 20 percent of the total number of contaminated sites. One reason DOE cites for the slow progress is that it has an insufficient workforce to manage and oversee what it calls "the largest environmental cleanup program in the world." In 1993, the Environmental Management Program had a contractor-to-federal-worker ratio of 21 to 1—one of the highest ratios in the federal government—and the highest funding per FTE in the federal government, \$3.3 million per FTE.

In September 1993, DOE requested that OMB designate the Environmental Management Program as a pilot project under GPRA and authorize additional employees as part of that project. The agency asserted that it

did not have sufficient staff with the skills needed to oversee contractors and review their cost estimates. To support its position, DOE cited our reports and reports by the Congressional Budget Office,² which supported the need for additional federal staff to manage the cleanup program. The reports noted the impact of FTE ceilings that restricted the agency from hiring enough federal employees to manage the cleanup program, the use of support service contractors at substantially greater cost, limitations in staff skills for adequate contract management, and the lack of federal expertise. In addition, a study conducted for DOE in 1993 concluded that federal staff have minimal supervision of agency cleanup projects, and as a result, the cleanup is costing significantly more than comparable private sector and government projects. DOE said that it wanted to increase its oversight of contractors and involve federal employees more in contract management.

DOE proposed to hire 1,600 new employees by (1) converting 1,050 support service contractor positions to federal positions and (2) adding 550 federal employees to help manage the environmental program. The agency estimated that the new staff would save \$188 million through fiscal year 1996 by better managing contractors' operations and would produce more tangible environmental results. OMB authorized DOE to hire 1,200 of the 1,600 additional staff requested during fiscal years 1994 and 1995 and the additional 400 in fiscal year 1996. As of May 31, 1995, the agency had hired about 700 new employees. Those hired to date have included project engineers, cost analysts, estimators, and environmental safety and health specialists. However, DOE is considering not hiring all of the approved FTEs because of budget constraints, according to the leader of the Office of Environmental Management's evaluation team.

DOE Justified the New Staff Through Competitive Bids

DOE required field and headquarters offices to include justifications for the initial 1,200 FTEs as part of a competitive bidding process. The offices were required to submit bids containing detailed information on their additional personnel needs and on the savings they anticipate will be achieved from the new staff. DOE evaluated the bids and allocated all 1,200 positions that OMB had approved. The additional 400 FTEs were approved by OMB in May 1995 but had not been allocated at the conclusion of our review.

²Energy Management: Using DOE Employees Can Reduce Costs for Some Support Services (GAO/RCED-91-186, Aug. 16, 1991); Department of Energy: Project Management at the Rocky Flats Plant Needs Improvement (GAO/RCED-93-32, Oct. 16, 1992); and Cleaning Up the Department of Energy's Nuclear Weapons Complex, Congressional Budget Office (May 1994).

Both field and headquarters offices competed for the 1,200 positions, but DOE used a different process to allocate the new positions to the offices. A team of DOE analysts reviewed the bids submitted by the field offices and then submitted their recommendations to management for review. The team reviewed the bids for compliance with requirements and for the adequacy of the justifications supporting the savings. Senior Environmental Management and other headquarters officials reviewed the bids submitted by the headquarters offices and then made the determinations. The DOE senior management officials included the Assistant Secretary for Environmental Management, the Assistant Secretary for Human Resources and Administration, and the Associate Deputy Secretary for Field Management.

By early March 1994, 11 field and 15 headquarters offices had submitted bids for new staff. Collectively, the offices requested 1,575 new FTEs and proposed a total of \$1.235 billion in savings. In mid-March 1994, the field offices presented their bids orally to DOE management, the review team, and an OMB representative. In their presentations, field office managers explained their bids and responded to management's questions. Following the presentations, management asked the field offices to revise and resubmit their bids for final consideration. The revised bids were to respond to numerous questions raised during the presentations.

In May 1994, DOE informed the field offices of their FTE allocations and the savings targets they were to achieve. The field offices were allocated 831 FTEs, with a total savings target of almost \$876 million for fiscal years 1995 and 1996. The headquarters offices were provided with 369 FTEs and a savings target totaling \$14.5 million. These savings do not include the FTEs' salary and benefit costs, about \$70,000 per employee—\$84 million annually if all 1,200 new employees are hired.³ Although DOE's agreement with OMB stipulated that contractor positions would be reduced in conjunction with the new hires, the offices that were allocated new positions have not received the funds that were previously paid to contractors. Instead, DOE required those offices to absorb the additional costs in existing budgets. Appendix I summarizes the initial and revised bids, the allocation of FTEs, and the decisions on the savings targets for the field and headquarters offices.

³If all 1,600 new employees are hired, the annual salary and benefit cost would be about \$112 million.

Most of the Proposed Savings Were Not Adequately Justified, but Budgets Were Reduced Nonetheless

Most of the cost savings and productivity improvements proposed in the field offices' bids were not adequately justified, according to DOE's evaluation team. The evaluation team concluded that the field offices had not adequately justified 87 percent of the savings that they said could be achieved. Despite finding these weaknesses in the justifications, in May 1994 DOE approved most of the savings proposed in the field offices' bids. In two separate reviews of the field offices' bids, the evaluation team expressed concerns about the quality of the supporting justifications and the likelihood of achieving the savings through improved productivity. The team concluded that most of the justifications of the savings were inadequate. As a result of the first review in March 1994, the field offices were required to revise their bids. Consequently, the overall 2-year savings target proposed in the initial bids was reduced from \$1.221 billion to \$1.035 billion. In its review of the field offices' revised bids, the evaluation team concluded that the justifications were not adequate for almost \$900 million—87 percent—of the \$1.035⁴ billion in savings targeted for the 2 years. Despite this finding, most of the savings targets were approved.

For example, DOE's Savannah River Site first proposed that it could save \$121 million in fiscal years 1995 and 1996. However, \$56 million of that amount—46 percent—was due to a reduction in contractor positions that had occurred in a prior year and was unrelated to the savings that would result from the new positions. DOE questioned the \$56 million during its review of Savannah River's first bid but did not subtract that amount from the site's expected savings. In a similar example, about 48 percent of the Oak Ridge Site's overall proposed savings was to come from the elimination of about 500 contractor positions. The evaluation team commented that Oak Ridge had not adequately explained the proposed cuts in contractors, and in its second review, the team classified these savings as inadequately justified. However, DOE later approved the productivity savings that were to accrue from the cuts in Oak Ridge's contractor personnel.

In another example, the evaluation team considered almost all of the \$549 million in savings contained in the Hanford Site's first proposal to be unjustified. The team commented that most of Hanford's proposed savings were unrealistic or apparently based on productivity initiatives unrelated to the new FTEs. Hanford reduced its proposed savings in a revised bid, but the evaluation team's subsequent review concluded that only 4 percent of Hanford's revised proposed savings was fully justified. Nonetheless, according to members of the evaluation team, DOE approved almost all of

⁴Figures do not add because of rounding.

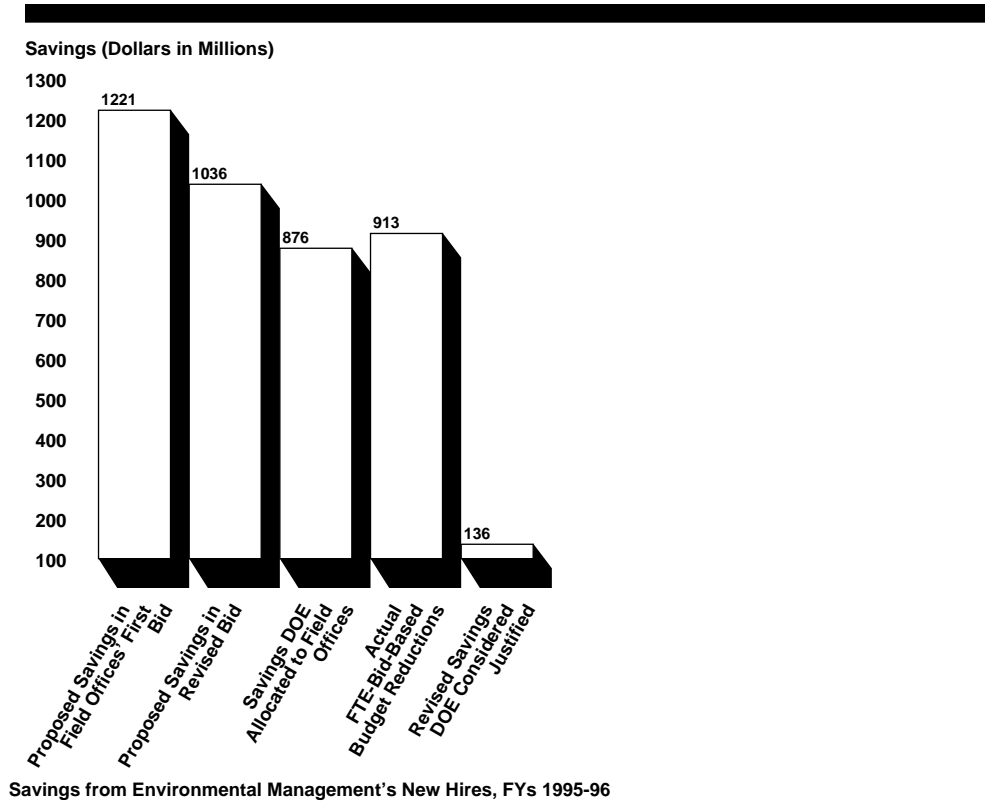
Hanford's proposed savings because the bids were considered an adequate basis for allocating the FTEs and imposing budget cuts at the field offices.

On the basis of the evaluation team's findings, DOE further reduced the field offices' total savings targets from \$1.035 billion to about \$876 million,⁵ which still included a substantial amount of savings that was not adequately justified. DOE then set savings targets for both field and headquarters offices of \$442 million for fiscal year 1995 and \$448 million for fiscal year 1996. DOE believed that the bids were adequate for allocating the FTEs and planned to hold office managers accountable for meeting those goals.

Despite the fact that the savings targets were not fully justified, budget reductions are occurring. As shown in figure 1, DOE expects to cut the Office of Environmental Management's budget by \$913 million over fiscal years 1995 and 1996, even though it considered only \$136 million of that amount fully justified through the bid process.

⁵The \$876 million figure does not include the \$14.51 million in savings proposed by the headquarters offices.

Figure 1: Projected Savings From Environmental Management’s New Hires, Fiscal Years 1995 and 1996



DOE Is Developing a Reporting System to Track Cost Savings and Productivity Improvements

DOE is assured of lower costs because the agency is incurring major reductions in its cleanup budget—about \$913 million in fiscal years 1995 and 1996. Even though these cost savings will occur, DOE has not developed a reporting system that would track and validate whether productivity improvements were a result of the new employees. DOE has developed some of the monitoring and evaluating tools required by GPRA, such as annual plans and reports that will yield broad information about the entire pilot project. By the fourth quarter of fiscal year 1995, procedures to collect, report, and validate the productivity improvements and resulting dollar savings related to the new staff are expected to be in place. DOE then plans to include these productivity improvements in its overall GPRA Environmental Management pilot project reports.

GPRA requires agencies with pilot projects to prepare a strategic plan for the program, annual plans for each year of a pilot project, and an annual report that assesses the project’s performance. As of March 1995, DOE had

completed the strategic plan and performance plans for fiscal years 1994 and 1995 and was preparing a performance plan for fiscal year 1996. Additionally, the agency was preparing its first performance report, which will cover fiscal year 1994. The agency is reviewing the performance plan for fiscal year 1995 through a series of quarterly management reviews and is tracking field offices' savings against their savings goals.

While the GPRA reports will provide an overall picture of the Environmental Management Program's performance, additional information is required to track the cost savings and productivity improvements that have resulted from the new staff. Therefore, offices are developing monitoring and evaluation systems intended to determine the success of projects that use the new staff.

Some projects are easily tracked, while others are more difficult. For example, some of Oak Ridge's 77 new employees will manage three specific projects—the removal of cooling towers on the site, demolition of a power house, and cleanup of selected burial grounds. According to DOE, it will save about \$16 million from these three projects during fiscal years 1995 and 1996. Since these three projects are specifically identified, measuring the savings will be straightforward. Oak Ridge is also developing baseline cost data for other environmental restoration projects and waste management activities that will use new hires—a more difficult task, according to Oak Ridge staff.

The Savannah River Site is putting systems into place to track the progress of the productivity improvements and savings realized by its 128 new staff in the high-level waste program, environmental restoration program, and waste minimization program, among others. These systems were not in place at the conclusion of our review. Other sites are also developing program performance baselines to measure performance against goals.

Agency Comments

DOE provided written comments on a draft of this report. (App. III contains the full text of DOE's comments.) The agency said that our draft report fairly represented the process the Office of Environmental Management used in allocating the new positions for the Environmental Management Program. However, the agency pointed out that we emphasized the inadequacy of the justifications supporting the savings projections but did not give credit to the process that made field office managers accountable for achieving the projected savings. We believe that our report adequately addresses managers' accountability for the projected savings. Specifically,

we note in our report that DOE plans to hold office managers accountable for meeting the productivity achievements tied to these savings.

DOE also said that tracking the results from the additional positions will be especially difficult because the agency is now streamlining its organization and will be unable to fill all 1,600 positions. Additionally, the agency said that further budget reductions are expected to cause delays in accomplishing needed work and may result in increased life-cycle costs.

To perform our work, we met with and obtained data from Environmental Management officials at DOE headquarters and at four of its field offices—the Savannah River Operations Office, Oak Ridge Operations Office, Albuquerque Operations Office, and the Ohio Field Office. We performed our work between July 1994 and June 1995 in accordance with generally accepted government auditing standards. (App. II discusses our objectives, scope, and methodology in more detail.)

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to the Secretary of Energy and other interested parties. We will also make copies available to others upon request.

Please contact me at (202) 512-3841 if you have any questions. Major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Victor S. Rezendes". The signature is fluid and cursive, with the first name being the most prominent.

Victor S. Rezendes
Director, Energy and
Science Issues

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Abbreviations

DOE	Department of Energy
FTE	full-time equivalent
GAO	General Accounting Office
GPRA	Government Performance and Results Act of 1993
OMB	Office of Management and Budget

Environmental Management's Bid FTEs and Savings, by Office

Dollars in millions

DOE office	Original bid		Revised bid		DOE award	
	FTEs requested	Savings proposed	FTEs requested	Savings proposed	FTEs awarded	Savings expected
Albuquerque	168	\$81.26	158	\$81.39	108	\$62.04
Chicago	48	13.70	48	13.70	33	12.00
Idaho	58	53.40	58	41.01	34	39.98
Morgantown	29	57.40	29	57.40	11	26.00
Nevada	61	4.93	61	8.63	36	6.61
Oakland	67	21.54	68	20.61	40	19.43
Oak Ridge	88	77.30	99	77.45	77	77.45
Ohio	133	108.50	129	108.70	106	83.90
Hanford	268	548.95	200	382.00	158	379.20
Rocky Flats	212	132.70	212	120.70	100	56.93
Savannah River	199	121.00	199	124.21	128	112.36
Subtotal	1,331	1,220.68	1,261	1,035.80	831	875.90
Headquarters offices	244	14.51	244	14.51	369	14.51
Total—field and headquarters offices	1,575	\$1,235.19	1,505	\$1,050.31	1,200	\$890.41

Objectives, Scope, and Methodology

In June 1994, the then Chairman, Senate Committee on Governmental Affairs, asked to us evaluate the portion of a pilot project of the Department of Energy's (DOE) Office of Environmental Management that involves the hiring of additional federal employees (full-time equivalents, or FTES). Our review focused on the following three major questions:

- What process did DOE use to justify the new hires?
- Did DOE's justifications support the claimed cost savings and productivity improvements?
- How is DOE assuring itself that the established cost savings and productivity improvements will be achieved?

We selected four of the largest DOE facilities with major environmental cleanup under way: the Savannah River Site, South Carolina; Oak Ridge Operations Office, Tennessee; Ohio Field Office, Ohio; and Albuquerque Operations Office, New Mexico. At each facility, we reviewed the competitive bid proposals and discussed the proposed savings with program officials. Additionally, we reviewed the four facilities' implementation plans and performance reports that were submitted to DOE. For DOE's other seven offices, we reviewed their bid proposals, implementation plans, and performance reports.

We interviewed key officials at DOE headquarters who were responsible for developing, managing, and evaluating the pilot project, including the new FTES. We obtained evaluations of the facilities' bids and discussed them with agency officials. We also interviewed the Office of Management and Budget officials responsible for approving and overseeing the agency's pilot project.

Comments From the Department of Energy



Department of Energy

Washington, DC 20585

JUN 21 1995

Victor S. Rezendes
Director,
Energy and Science Issues
United States General Accounting Office
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Washington, DC 20548

Dear Mr. Rezendes:

I received a copy of your report entitled Environmental Management: Impact of New DOE Staff on Productivity Still to Be Determined (GAO/RECED-95-207). The report fairly represents the process used in allocating the new positions to the Environmental Management program and I compliment the team. Although your letter transmitting the report did not require a written response, I would like you to consider the following comments for inclusion in your report to the Committee on Governmental Affairs, U.S. Senate.

The report does not give credit to the program office for the unique strategy of awarding positions to achieve substantial increases in productivity in the Environmental Management program. Instead the report emphasizes that the evaluation team did not consider the projected savings to be adequately justified, yet positions were awarded based on those savings. While this is essentially true, the treatment of the savings as performance commitments between field office managers and the Assistant Secretary is not given similar emphasis. Field managers are being held accountable to achieve the projected savings, and field office budgets were reduced based on the savings and other factors. The adequacy of the justifications in view of this becomes of secondary importance.

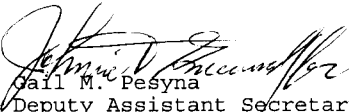
Tracking the savings resulting from the additional positions is going to be especially difficult because the Department is now streamlining and the program is unable to fill all 1600 positions requested. Tracking is further complicated with concurrent initiatives such as contract reform and productivity/efficiency efforts. The necessity to reduce budgets beyond targeted savings is expected to cause delays in accomplishing needed work and may result in increased life cycle costs.

Appendix III
Comments From the Department of Energy

One of the Environmental Management challenges in the streamlining process is to hold the gains made as a result of the bid process. Congressional support is needed to continue the initiatives undertaken as part of the Government Performance and Results Act.

I appreciate your consideration of these comments.

Sincerely,


Gail M. Pesyna
Deputy Assistant Secretary
for Management and Finance
Office of Environmental Management

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