



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

Resources, Community, and
Economic Development Division

B-276766

April 30, 1997

The Honorable George E. Brown, Jr.
Ranking Minority Member
Committee on Science
House of Representatives

Subject: Department of Energy: Opportunity for Enhanced Oversight of Major System Acquisitions

Dear Mr. Brown:

On March 6, 1997, we testified before the Subcommittee on Energy and Environment, Committee on Science, on the Department of Energy's (DOE) performance in completing its largest and most significant projects, referred to as major systems. The costs of these projects exceed \$100 million.¹ At that hearing, we reported that from 1980 through 1996, 31 of DOE's 80 major systems were terminated prior to completion, after expenditures of over \$10 billion; 15 of the projects were completed, but most of them were finished behind schedule and with cost overruns;² and the remaining 34 ongoing projects were also experiencing schedule slippages and/or cost overruns.

As requested, we are providing you with information on how the Federal Acquisition Streamlining Act of 1994, the Clinger-Cohen Act of 1996 (formerly the Federal Acquisition Reform Act of 1996 and the Information Technology Management Reform Act of 1996), and the Office of Management and Budget (OMB) circular A-11 can help address DOE's problems in completing these projects within approved budgets and schedules. There are no quick, easy solutions to keeping DOE's major system acquisitions on schedule and within budget. However, these initiatives could help. On March 24, 1997, we briefed your staff on information contained in this report.

¹Department of Energy: Improving Management of Major System Acquisitions (GAO/T-RCED-97-92, Mar. 6, 1997).

²Cost overruns are increases in a project's original cost estimate.

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In summary, title V of the Federal Acquisition Streamlining Act of 1994 is designed to foster the development of (1) measurable cost, schedule, and performance goals and (2) incentives for acquisition personnel to reach these goals. Subtitle B, which applies to civilian agencies, provides that agency heads are to establish cost, schedule, and performance goals for acquisition programs and annually report on the progress in meeting these goals. These goals are to include achieving, on average, 90 percent of the established cost and schedule goals without reducing the performance or capabilities of the items being acquired. Subtitle B also requires that agency heads manage employees in acquisition positions (including their education, training, and career development) by relating their evaluations, pay, and promotions to their performance in helping achieve cost, schedule, and performance goals.

Furthermore, the Clinger-Cohen Act of 1996 provides for the establishment of policies and procedures for the management, education, and training of the civilian acquisition workforce. The career development of this workforce is to include the identification of appropriate career paths, mandatory education and training in the critical duties and tasks of these career paths, and an enhanced system of performance incentives to encourage agencies to specify in their budget justification documents the funding levels requested for educating and training the acquisition workforce. Under the act, the funds appropriated for this purpose may not be used for any other purpose.

Finally, OMB, on July 16, 1996, issued circular A-11, which includes new guidance for agencies to use in the planning, budgeting, and acquisition of fixed assets, such as land, buildings, and equipment. One purpose of this guidance is to ensure that agencies' acquisition plans support the agencies' mission statements, long-term goals and objectives, and annual performance plans developed under the Government Performance and Results Act of 1993.

As we reported in November 1996,³ we believe that these changes in procurement law could help the Department recruit additional contracting staff and improve the technical capabilities of its existing staff. Hence, these changes could help to address a long-standing departmental problem.

The enclosure provides you with information on the legislation and OMB's guidance. We performed our analysis of the Federal Acquisition Streamlining Act of 1994, the Clinger-Cohen Act of 1996, and the OMB circular during March 1997 in accordance with generally accepted government auditing standards.

³Department of Energy: Opportunity to Improve Management of Major System Acquisitions (GAO/RCED-97-17, Nov. 26, 1996).

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We will make copies of this report available to others upon request. If you have any questions or need additional information, please call me at (202) 512-3841. Major contributors to this report include Jeffrey E. Heil and Robert M. Antonio.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Victor S. Rezendes". The signature is fluid and cursive, with a large loop at the end.

Victor S. Rezendes
Director, Energy, Resources, and
Science Issues

Enclosure

PRESENTATION SLIDES

GAO Legislation and OMB Circular

Legislation and circular provide for

- the submission of information to the Congress on major systems
- improvements in the acquisition workforce that manages major systems

GAO **Submission Under Federal Acquisition
Streamlining Act of 1994**

Requires executive agencies to achieve, on average, 90 percent of cost and schedule goals without reducing performance or capability of major and nonmajor systems

Requires the heads of executive agencies to act on systems that are significantly behind schedule, over budget, or not in compliance with performance or capability requirements

Requires the Office of Federal Procurement Policy to submit an annual report to the Congress on progress made by agencies in implementing this policy

GAO Submission Under Clinger-Cohen Act
of 1996

Requires OMB to

- develop, as part of the budget process, a process for analyzing, tracking, and evaluating risks and the results of major capital investments in executive agencies' information systems
 - submit a report to the Congress, at the time of budget submission, on the net program performance benefits of these major capital investments and their relationship to agencies' goals
-

GAO Submission Under Clinger-Cohen Act
of 1996

Requires the heads of executive agencies to,
among other things,

- design and implement a process for maximizing the value and assessing and managing the risks of information technology acquisitions
 - establish goals for improving their agency's operations through the effective use of information technology
 - prepare a report, to be included with the annual budget submission to the Congress, that shows the agency's progress in achieving goals
-

GAO Submission Under OMB Circular A-11,
Part 3

OMB's purpose is to

- coordinate the collection of agency data for the OMB reports to the Congress required by title V of the Federal Acquisition Streamlining Act of 1994 and the Clinger-Cohen Act of 1996
 - ensure agencies' acquisition plans support mission statements, long-term goals and objectives, and annual performance plans developed under the Government Performance and Results Act of 1993
-

GAO Submission Under OMB Circular A-11,
Part 3

Under the circular, fixed assets include

- the construction, major rehabilitation, and purchase of fixed assets, such as land, buildings, or equipment, including information technology owned by the government
- DOE's defense and nondefense assets

GAO Submission Under OMB Circular A-11,
Part 3

Agencies are required to

- request full funding for fixed assets
 - justify fixed assets in accordance with missions, long-term strategic goals and objectives, and annual performance plan
 - submit baseline cost, schedule, and performance goals for fixed assets
-

GAO **Improved Management of Acquisition Workforce**

The Federal Acquisition Streamlining Act of 1994 requires OMB, in consultation with other departments and agencies, to

- establish policies and procedures for agency heads to designate acquisition positions and manage employees in the designated acquisition positions
 - provide an enhanced system of incentives for the encouragement of excellence
-

GAO Improved Management of Acquisition
Workforce

The Clinger-Cohen Act of 1996 requires

- agency heads, after consultation with the Office of Federal Procurement Policy, to establish policies and procedures for managing their acquisition workforce
- the Office of Federal Procurement Policy to issue policies to promote uniform implementation of these requirements

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