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UNITED STATES
GENERAL ACCOUNTING OFFICE

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Review Of The Information-
Gathering Practices Of The
Federal Energy Administration

To insure the best collection effort, the Federal Energy Administration should give more attention to the development of its information-gathering process. GAO recommends that the Federal Energy Administration

- more actively contact congressional organizations and other interested parties during the development process;
- field test proposals, when warranted, before implementation;
- establish an ongoing reassessment program;
- review the clearance organization's placement and practices and make appropriate revision.;; and
- insure that organizations obtain official approval before soliciting information.

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MAY 11, 1976

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

OFFICE OF SPECIAL PROGRAMS

- ENERGY
- MATERIALS
- FOOD
- REGULATORY REPORTS REVIEW

B-181254

The Honorable Frank G. Zarb
Administrator, Federal Energy
Administration

Dear Mr. Zarb:

This is our report on the information-gathering practices of the Federal Energy Administration. It is one of a series of reports to be published on the performance of the independent Federal regulatory agencies' information-gathering practices.

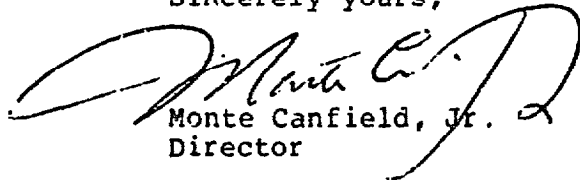
The report identifies and assesses management actions relevant to the Federal Energy Administration's information-gathering efforts. It contains conclusions regarding the agency's development process and recommendations concerning actions that can be taken by the agency to clarify and improve its information-gathering efforts.

This report contains recommendations to you which are set forth on pages 18 and 19. Pursuant to section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

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Sincerely yours,



Monte Canfield, Jr.
Director

C o n t e n t s

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ABBREVIATIONS

| | |
|------|-------------------------------|
| FEA | Federal Energy Administration |
| GAO | General Accounting Office |
| OEDP | Office of Energy Data Policy |

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D I G E S T

Public Law 93-153 directs GAO to review the information-gathering activities of the independent Federal regulatory agencies. Therefore, GAO has initiated a long-term program for evaluating the effectiveness of the management processes the agencies use in developing their information-gathering requirements. Because of the large number of new information-gathering requirements generated by the Federal Energy Administration (FEA) since its establishment about 2 years ago, GAO selected it as one of the initial agencies to be studied.

GAO began this study by identifying those critical management actions and decisions which could reasonably be expected in a development effort. Using this information, GAO evaluated FEA's management process for developing requirements by reviewing selected information-gathering requirements.

CONCLUSIONS

Assessment of need and
definition of data requirements

Concerning the assessment of need and definition of data requirements, GAO concludes that FEA has not applied the degree of effort warranted this important function. Those requirements reviewed revealed that there is often a substantial degree of uncertainty and disagreement as to the detail and coverage level required to adequately fulfill the stated need. In some instances this is the result of congressionally imposed reporting deadlines and in others it is the result of difficulty in obtaining internal approval.

Whatever the reason, many of FEA's collection efforts do not completely fulfill the stated need. Therefore, respondents have and will probably be required to report additional information on a piecemeal basis, thereby incurring additional burden. (See pp. 3 to 5.)

Insuring development of a
reasonable and feasible requirement

FEA needs to give more attention to this function in order to insure that the final product is acceptable in terms of compliance costs and anticipated benefits and does not duplicate other reporting requirements.

FEA generally does not contact potential respondents during the early stages of the development cycle. In addition, it does not publish Federal Register notices nor make widespread distribution of the proposal before submitting it to GAO for clearance. (See pp. 5 to 7.)

We noted that FEA has techniques to identify other organizations collecting similar information, in its present form or with certain modifications, which could be used to satisfy the stated need. However, it fluctuates in applying those techniques. Of the requirements we reviewed, several duplicated information collected by other organizations. In one case the duplication was the result of mandated reporting deadlines and in another it was the result of failing to obtain FEA's official approval. (See pp. 7 to 9.)

In assessing burden, little attention is given to the impact of the proposal upon the respondents. Rather, the prevailing belief is that FEA's need outweighs any burden that may be imposed. (See pp. 9 to 10.)

While FEA has pretested several requirements before submitting them to GAO for clearance

and subsequent full-scale implementation, it has not adopted this development technique called field testing on a full-scale basis. (See pp. 10 to 11.)

Reassessment of collection efforts and usage

FEA does not perform any periodic assessments; however, three ad hoc reviews have demonstrated the need for such an effort. (See pp. 11 to 12.)

Requirements management

In reviewing the development process, we noted the apparent lack of adequate authority of FEA's clearance review function. This lack of authority appears to be the result of the function's placement within the overall organization. (See pp. 12 to 15.)

FEA is a newly created agency and is still establishing and implementing its collection procedures. If properly implemented, the prescribed procedures should enable it to avoid a great deal of those pitfalls associated with many information-gathering efforts. Current efforts include plans to publish notices in the Federal Register for the purpose of increasing its input from potential respondents. Although FEA has not established formal procedures requiring the field testing of a proposal, it has begun such tests and plans to continue to do so.

RECOMMENDATIONS TO THE ADMINISTRATOR/
FEDERAL ENERGY ADMINISTRATION

GAO recommends that, to clarify and improve information-gathering efforts, FEA should:

- More actively contact the various involved congressional organizations during the development process to insure development of requirements which will fulfill their needs. (See p. 18.)

- Increase its efforts of contacting governmental agencies, trade associations, potential respondents, and other interested parties during the various stages of the development process. (See pp. 16 to 19.)
- Issue procedures requiring field testing of proposals, when warranted, before full-scale implementation. (See p. 19.)
- Institute a continuous program of evaluating and assessing the information-gathering process and data usage. (See p. 19.)
- Review the procedures and placement of the clearance organization and make the appropriate revisions to enable it to independently review information-gathering proposals. (See p. 19.)
- Take steps to insure that the regional offices obtain official approval from the proper officials within FEA and GAO before soliciting information from 10 or more parties. (See p. 19.)

In addition to the above recommendations, GAO believes that to have an effective development program, action needs to be initiated to change the following basic beliefs.

- The need for information overrides the burden of the respondents in providing that information.
- It is better to obtain information directly from respondents rather than use information from existing reports provided to other organizations.
- It takes too long for Federal agencies to work together and design information-gathering efforts of mutual interest. (See p. 19.)

AGENCY COMMENTS

FEA generally agreed with GAO and said that the report will be a valuable tool in improving

its efficiency and overall operation. FEA stated that it has recognized many of the problem areas identified in the report and has already implemented several of the recommended actions. (See p. 19.)

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CHAPTER 1

INTRODUCTION

Section 409 of the Trans-Alaska Authorization Act (Public Law 93-153), enacted on November 16, 1973, transferred the responsibility for clearing information-gathering efforts by the independent Federal regulatory agencies from the Office of Management and Budget to us. Specifically, we are required to conduct clearance reviews of information-gathering plans and forms proposed by these agencies before their use. In addition, we are mandated to undertake general studies of the regulatory agencies' information-gathering practices. 27

To respond effectively to the latter mandate and obtain information to assist us during our clearance reviews, we have initiated a program for evaluating the effectiveness of the information-gathering processes of those 13 regulatory agencies currently within our jurisdiction.

2 Because the Federal Energy Administration (FEA) has initiated a substantial number of new reporting requirements over the last 2 years, we selected it as one of the initial agencies to be studied. 75

DEVELOPMENT PROCESS FOR A REPORTING REQUIREMENT

Any effective management system, including the development process for a reporting requirement, must have key points that provide both the opportunity to and a reliable basis for analyzing conditions and deciding on courses of action. This includes deciding whether activities should be continued, modified, or stopped. If no management system exists or if the system is not working, unplanned and undesirable results will frequently and unnecessarily occur.

The evolution of a reporting requirement from an idea to its final implementation is discussed in appendix I.

CONCEPTS OF THIS STUDY

We began this study by identifying those management actions and decisions which should be involved in developing a reporting requirement. These include assessing the

--need for and defining the information requirements,

--reasonableness and feasibility of complying with the requirement,

--information-gathering process and
usage of the collected information, and

--organization and clearance procedures.

The existence and satisfactory use of these and other activities should materially improve the development process.

When this study was initiated, it was evident that a good method for reviewing the development process was to study specific reporting requirements FEA implemented. In making our selections, we concentrated our attention to requirements that were new or recently revised to enable us to recommend corrective action, if appropriate, for improving the current development process. Those requirements included in our review are listed in appendix II.

In order to obtain information on FEA's information-gathering process, we reviewed correspondence, reports and other records, and interviewed various FEA and congressional officials. Using this information, we reconstructed the steps taken in developing the individual requirements selected for review to determine their conformance with our conceptual framework for developing a reporting requirement.

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CHAPTER 2

ASSESSMENT OF LOCAL MANAGEMENT ACTIONS

Those management actions critical to the development of a requirement are described in this chapter and followed by examples of adequate and inadequate application of that criteria. Although each example is based on an evaluation of the development of a particular requirement, these examples serve mainly as an illustration of the Federal Energy Administration developmental process.

ASSESSMENT OF NEED AND DEFINITION OF INFORMATION REQUIREMENTS

A clear statement of the need for or the objective of an information-gathering effort is a fundamental first step in the development of a requirement. Once it has been established, the type of information required to fulfill the need must be accurately defined, and the requirement must be designed to obtain the specified information.

If an agency does not take ample time to accomplish these essential tasks, a great deal of time and money could be expended by the agency in collecting, and by the respondents in supplying, information which may not meet the original need.

There can be many reasons why an agency may not consistently apply the above critical management process in developing requirements. The Congress created FEA in response to the energy crisis; concurrently, the Congress enacted several pieces of legislation with worthwhile purposes for dealing with various facets of the crisis. Included in these were several reporting requirements which were very broad in coverage but imposed very tight reporting time frames. FEA was placed in the difficult position of attempting to meet reporting deadlines and also collecting information that would be as useful as possible in meeting the congressional needs. As a result of these two demands, various compromises had to be made in the reporting details and coverage during the development of several reporting requirements.

The following examples illustrate such compromises made during the development of FEA's market shares reporting system and the oil and gas reserves survey.

Market shares reporting system

Under the Emergency Petroleum Allocation Act, FEA is required to report monthly to the Congress any changes in

the market shares of those engaged in the marketing of petroleum products. The information is designed to assist the Congress in determining if changes are needed in the allocation procedures and price controls and whether or not the controls should remain in effect.

Three basic elements are needed to effectively respond to the congressional mandate. These elements are changes in (1) volume sold; (2) cost, price, or profit margin; and (3) the number of business establishments.

Comments received from divisions within FEA and other governmental agencies emphasized the importance of obtaining comprehensive data. Both the Federal Trade Commission and the Department of Justice stressed the need for pricing and operating cost information as did an organization with FEA. Another FEA organization stressed the importance of obtaining information on all three basic elements so as to fulfill the congressional mandate.

In spite of this strong support for collecting comprehensive information, FEA designed and implemented a system that requests information on sales volume only. While pricing information was recognized as an important and necessary element, we were told that inconsistencies and complexities exist throughout the petroleum industry concerning this information. Similarly, FEA believed that there were major obstacles to overcome in monitoring sales of the middleman operating between the refiner and the retailer. Therefore, pricing and middleman-level reporting were excluded from the system because the complexities involved in obtaining such information would have made it difficult to obtain internal FEA agreement in time to meet the congressional reporting deadline.

Although FEA organizations could not agree to including pricing and middleman-level monitoring while developing the system, various FEA organizations are now in the process of developing reporting requirements which will request such information from the respondents. In the meantime, the reports being provided to the Congress do not contain all the needed information.

Oil and gas reserves survey

The FEA Act required that FEA submit a complete and independent analysis of actual oil and gas reserves and resources in the United States and its outer Continental Shelf to the Congress by June 27, 1975. In addition to obtaining the amount of reserves under existing economic

conditions, the Congress wanted to know the extent to which the reserves would fluctuate at different price levels. Furthermore, the act required that FEA collect information concerning resources on land owned by the Federal Government.

While developing the requirement, the initiating office received comments from internal organizations and other interested parties emphasizing the importance of obtaining pricing and ownership information. Although it was agreed that such information was needed, it was never incorporated into the requirement because of anticipated complexities involved in collecting such information. It was also felt that these complexities would have made it difficult to obtain complete FEA approval and meet the reporting deadline.

Although agreement could not be reached to include reserve estimates at different price levels in the requirement, another FEA organization awarded a contract in December 1974 to the Interstate Oil Compact Commission to collect such information. The commission surveyed all oil operators using advanced recovery techniques and submitted its report to FEA in April 1975. However, this data was not included in the June 1975 report submitted to the Congress because it was not a complete analysis.

At the present time, FEA is developing a proposed reporting requirement to obtain that information required to meet the congressional reporting mandate.

OBTAINING ASSURANCE THAT THE REQUIREMENT IS REASONABLE AND FEASIBLE

Determining whether the data requirement being developed is reasonable and feasible is an involved process. The process begins with preliminary contact with potential respondents, intra-agency organizations, and other interested organizations and proceeds through such steps as soliciting comments and field testing the proposal before implementation. The purpose of this management process is to insure that the proposal does not duplicate other requirements and is acceptable in terms of costs and anticipated benefits.

Soliciting and considering comments

Good management practices dictate that when an agency initiates development of an information-gathering proposal, it should coordinate its development efforts with potential

respondents and other interested parties. The purpose of such an effort is to insure that the final product is reasonable and can be complied with by the respondents. Also, such an effort can maximize the usefulness of the information by incorporating requirements that can satisfy other agencies' needs.

Our review revealed that while FEA has made attempts to contact respondents and other interested parties, the coverage and consideration given to that input has been limited. The primary reason for such limited attempts was the tight time constraints under which FEA was working.

Historical survey of propane and fuel oil sales

This reporting requirement is part of FEA's market shares reporting system and was designed to gather and report to the Congress historical information regarding propane and fuel oil sales by various categories. While FEA made attempts to contact various organizations during the development cycle, its coverage was limited due to pressure to get something out quickly. For example, FEA did not publish a Federal Register notice soliciting comments and did not distribute the proposal for comment.

The fact that FEA had not adequately communicated with interested parties is supported by the many suggestions for improving the proposal's definitions and instructions we received during our clearance review. FEA has agreed to some of the suggestions, such as:

- Permitting use of percentage estimates in reporting sales to ultimate consumer groups.
- Modifying end-use categories to conform more closely to those used in other reporting requirements.
- Redefining "small business" so that a firm selling less than 200,000 gallons of a product need not complete the more burdensome questions.

Oil and gas reserves survey

In developing its oil and gas reserves survey, FEA received comments from various organizations emphasizing the need to change the level of reporting from an operator to an ownership basis and to include a pricing requirement in the proposal. For example, the Federal Trade Commission

commented that information disclosing owners and percent of ownership of reserves together with pricing information would be useful to its antitrust activity efforts. Even though FEA decided that the information would be collected from operators, there could have been a requirement in the proposal to have the operators report their principal owners. FEA, however, chose to ignore the comments and did not require this information.

By including such a requirement, FEA could have maximized usage of the reported information by providing such information to the Federal Trade Commission and other organizations for their use.

Avoiding and eliminating unnecessary duplication

To determine whether the information to be collected by the proposal is already being collected, other agencies collecting such data and those respondents who will be required to provide the information should be contacted. This coordination effort can identify information, in its present form or with certain modification, which has already been collected and which fulfills the stated need. The purpose of such an effort is to avoid or eliminate collection of duplicative information which results in unnecessary costs to the Government as well as placing an undue burden on respondents.

FEA reporting clearance procedures require that the initiating office determine whether existing forms or other data sources can supply the required information. It also requires that the proposed collection activity be compared with the Federal energy information locator system, which contains information on 260 energy programs collected by various Federal agencies.

The following examples illustrate FEA's efforts to avoid or eliminate duplication.

Weekly petroleum reporting system

In response to the emergency situation caused by the oil embargo, FEA quickly developed a weekly petroleum reporting system to collect necessary energy information. Later, as a result of the lifting of the embargo, stabilization of the petroleum supply situation, and consultations with respondents, FEA changed the reporting requirement from a weekly to a monthly basis. Further, FEA, concerned about possible duplication, began exploring

the possibility of using the Bureau of Mines' monthly system to collect the information. As a result of these efforts, a joint FEA-Bureau system is being implemented eliminating the necessity for respondents to report the same information to both agencies.

Market shares reporting system

FEA's market shares reporting system reports to the Congress changes in relative market shares of specified classes of marketers of petroleum products. It was necessary that FEA obtain data on the volume of sales of different types of petroleum products by each class of marketer. In an effort to avoid duplication, FEA researched other possible sources of data, including Bureau of Mines and Department of Transportation forms. FEA found that the available information was not adequate for preparing the type of analysis the Congress required. The available information was inadequate because it did not cover all the required classes of marketers and was collected too infrequently.

Although FEA has developed procedures to avoid collecting duplicative information, there are instances in which duplicative information has been collected.

Oil and gas reserves survey

In developing its oil and gas reserves survey, FEA found that information to be collected was similar to estimates prepared and published by the American Petroleum Institute and the American Gas Association. FEA also found that the Federal Power Commission and the Geological Survey have proposed surveys which will overlap some of the information it was to collect. FEA, however, proceeded with its survey because the FEA Act required an "independent analysis" and because Power Commission and Geological Survey collection efforts would not yield usable results in time for FEA to meet the congressional reporting deadline.

Public utility company pricing questionnaire

In January 1975, San Francisco's Regional Office of Compliance and Enforcement requested information from 11 public utility companies for the purpose of identifying suppliers violating FEA's pricing regulations. The information requested on this survey was available from other

sources including the Federal Power Commission's form FPC 423. This duplication occurred because the initiating office failed to obtain FEA clearance and our approval before initiation of the collection effort. The office was unaware of this approval requirement.

Assessment of burden

Good management practices dictate that as an agency develops an information-gathering proposal it should be in continuous contact with potential respondents. Such an effort would result in the agency knowing the estimated compliance burden at any given time during the development effort. This would permit a continuous trade-off between the compliance cost and the proposal's scope and coverage, rather than developing a requirement with no thought being given to the burden involved. The result would be a requirement that is acceptable in terms of compliance burden and anticipated benefits.

During our review we found that very little attention is given to developing reliable estimates and comparing such estimates with the anticipated benefits. Rather, the prevalent attitude is that FEA's need for the information outweighs any burden that may be incurred by a respondent in complying with the requirement. FEA now plans to obtain actual compliance costs from respondents following submission of their reports. These costs will be used to improve burden estimates during development of future reporting requirements.

Refiner/importer historical report of petroleum products distribution

FEA estimated the burden to complete this report would range from 15 to 100 man-hours. FEA indicated that this estimate was based on industry comment as well as experience gained from related questionnaires. However, compliance burden estimates submitted to us by potential respondents during our clearance review ranged from 1,000 to 3,600 man-hours.

Following a meeting with us to discuss the disparity between the estimates, FEA revised its estimate to range from 15 to 1,800 man-hours.

Oil and gas
reserves survey

In an effort to fulfill a congressional mandate for a complete and independent study of the Nation's oil and gas reserves and resources, FEA developed a survey questionnaire and required a response from all operators of oil and gas wells, to insure complete coverage. Approximately 23,000 operators were required to file the report, although 500 to 600 of the largest operators could have supplied information on 90 percent of the reserves and production. The remaining information could have been obtained by using sampling and projection techniques. The burden imposed on the larger firms would have been much less severe than that imposed on the smaller respondents. The larger firms have the experience and resources to prepare the necessary reserve estimates, whereas small operators generally do not have this capability.

Performance of field test

Field testing is one technique which can be used to insure that the development process has produced a proposal which is both reasonable and feasible. Although potential respondents participate in field testing on a voluntary basis, this technique can provide such invaluable information as:

- A technical analysis of the availability of the information resulting from the respondents completing the form rather than a superficial analysis based on mere inspection of the form.
- Identification of problems associated with ambiguous terms and complex instructions.

While FEA does not have formal policies or procedures requiring field testing of a proposal, it has begun to conduct such tests. The decision to field test a proposal is influenced by such factors as the

- complexity of the form,
- uniqueness of the information to be collected,
- time constraints, and
- number of potential respondents.

The use of field testing has made several improvements in FEA's information-gathering efforts.

Financial reporting system

In the process of developing its financial reporting system, FEA field tested the requirement. As a result of this test, FEA was able to (1) better understand the differences in the accounting systems used by respondents and (2) make several revisions to the proposal to consider those inconsistencies which exist as a result of these differences.

Petroleum reporting system

Following formulation of this system, FEA conducted a field test to be certain that the proposal was reasonable. Following the test, FEA revised the proposal to collect the information on a product ownership basis rather than a custody basis, as originally planned. This revision was made as a result of learning that respondents maintained their records on an ownership basis rather than a custody basis.

Motor gasoline allocation reporting system

The information being supplied by respondents in compliance with the motor gasoline allocation reporting system is inconsistent because of the respondents' varying interpretations of the instructions and definitions. These differing interpretations resulted because both the reporting instructions and definitions were vague. Because of this, additional work has been incurred by various respondents supplying additional information to meet FEA's needs. Field testing the system could have prevented this extra work.

REASSESSMENT OF INFORMATION COLLECTION AND USAGE

In order for an agency to insure that the reported information is being examined and used in the most efficient manner, it must continually evaluate and reassess its collection efforts. Such an evaluation would show whether the development process is functioning properly and producing the best possible product. Based on the results of such an evaluation, decisions could be made to

- continue collecting the information,
- modify the requirement to meet the stated need,

--consolidate requirements that obtain essentially the same information, or

--eliminate the requirement.

During our review, we found that FEA does not conduct any periodic or ongoing evaluations of its collection efforts. However, three ad hoc reviews have shown the need for such reassessment. The following example illustrates the need for such an evaluation.

Refiner/importer/gas processing
plant operator monthly report
by facility

This report is designed to collect production, import, and stock information for various petroleum products on a monthly basis. In addition, it collects a moving 3-month projection of available supplies for these petroleum products. This information is collected from refineries, import terminals, and gas-processing plants.

A recent review of the form by FEA revealed that continuing its use was questionable. Since May 1974 the incoming forms have been merely logged in and have not been processed. Usage of reported information is limited because of the absence of processed reports and the availability of the information from other sources.

While the form was developed to fulfill a congressional mandate, it appears that insufficient effort was applied in assessing what information was required. For example, while the form collects 3-month projection information, it is not clear whether the Congress intended the projections to be collected directly from the respondents or to be based on an analysis of current and historical production trends. In addition, the reports submitted to the Congress have not included any information on the 3-month projections.

Furthermore, the consistency of the reported information was questionable because the instructions failed to adequately explain the basis of reporting. Consequently, many prime suppliers and importers were not reporting and in some cases were reporting the same information which resulted in double counting.

FEA REQUIREMENTS MANAGEMENT PROGRAM

One of the key ingredients needed to successfully implement an effective development process is a set of

well-defined procedures and an organization responsible for overseeing the agency's information-gathering activities. Included in this process are such efforts as planning, organizing, coordinating, evaluating, controlling, and directing those organizations participating in developing a requirement.

FEA's management of the development and subsequent submission of its collection proposals to us for clearance is an involved process. The primary goal of FEA's clearance procedures is to avoid duplication and assure that the requirement has been developed in the most appropriate format and manner to minimize respondents' compliance burden.

The Office of the Deputy Assistant Administrator for Data and within that office the Office of Energy Data Policy (OEDP) are responsible for coordinating FEA's information-gathering activities.

Although FEA's efforts are a step toward improved collection, they have not been fully effective. For example, following receipt of a proposal from an initiating office, OEDP's clearance procedures require internal organizations to comment on the proposal within 5 working days with an extension being permitted when requested. OEDP, however, has not been able to enforce this procedure because most organizations have ignored the requirement and are responding substantially later than the 5-day requirement. Furthermore, OEDP's attempt to monitor the clearance process through the use of weekly status reports has not been effective because of inconsistent recordkeeping.

One important prerequisite of an effective management system is the requirement that the authority given to any level of management must be equal to the responsibility given to that level. Although OEDP has the responsibility for the day-to-day functions of FEA's clearance process, we found instances in which little attention is given to its clearance authority and procedures.

For example, although OEDP instructed the Office of Regulatory Programs to stop its telephone survey of public utility companies because FEA had not yet approved the survey, it continued and contacted 448 additional companies.

The same Office entered into an agreement with a contractor who sent a questionnaire entitled "Survey of Base Period Volume Adjustment Program" to 2,300 petroleum products suppliers. The questionnaire was labeled as being an official FEA form, although it had not been approved.

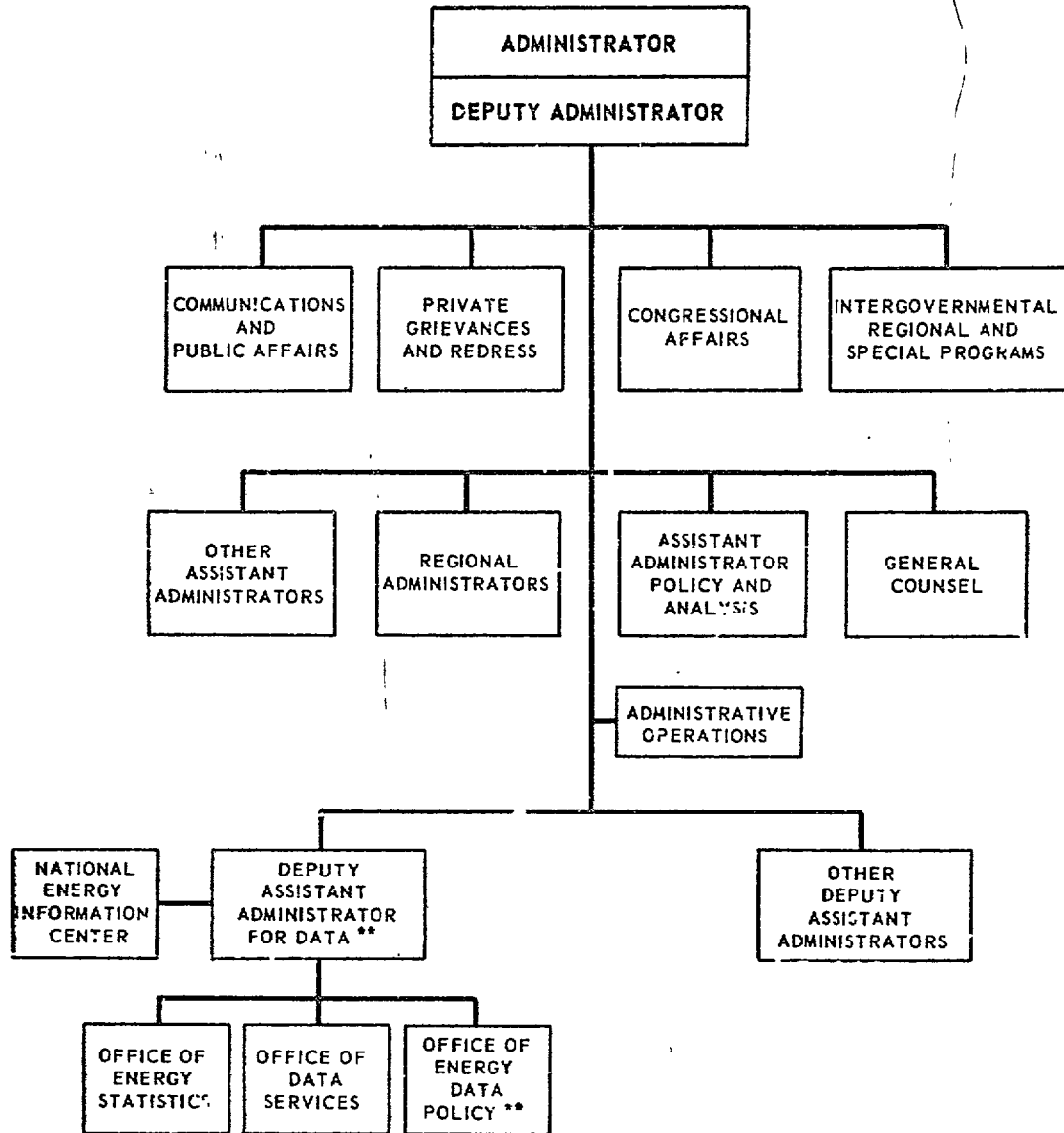
Much of the disparity between OEDP's authority and responsibility may be a result of the placement within FEA's formal organizational structure. The chart on the following page shows OEDP's organizational placement.

The clearance function position should be independent of the officials who are directly responsible for the information-gathering activities it reviews. Such positioning is necessary to insure that the opinions, conclusions, judgments, and recommendations of those individuals carrying out the clearance function will be impartial. FEA is not organized this way. Specifically, the Deputy Assistant Administrator for Data while having final authority over forms approval also had full responsibility for developing such information-gathering efforts as the market shares reporting system and the oil and gas reserves survey. There was conflict between OEDP and the Deputy Assistant Administrator for Data, who was under pressure to get both systems operating, as to what should have been included in these requirements.

On March 26, 1976, FEA stated that, since completion of our review, OEDP had been reorganized to satisfy the prerequisite of an effective management system authority level. However this reorganization did not satisfy our recommendation that the forms-clearance function be independent of those organizations responsible for information-gathering activities.

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POSITION OF FEA'S CLEARANCE REVIEW ORGANIZATION



**Primary organizations involved in FEA's clearance function.

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CHAPTER 3

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

The conclusions which follow must be placed in the proper context. The Federal Government's energy information-gathering efforts have increased substantially since the oil embargo a few years ago. One of the Federal Energy Administration's key roles is to provide the Nation with the necessary information on which sound energy policy decisions can be made. Many other Federal agencies are also collecting an increased amount of information from the energy industry, and it has become increasingly important that agencies:

- Insure that data being sought is actually needed to accomplish and serve a specific agency function.
- Search other data sources for usable data already being obtained that might serve the stated need.
- Assess the impact of the proposal so that the value of the data sought can be weighed against the compliance cost.
- Periodically assess the effectiveness of the information-gathering process.

Unless these controls are established and implemented, much money and manpower will be spent by the Federal Government, the respondents, and ultimately the public.

FEA's collection efforts to date have been mostly stop-gap efforts in reaction to congressionally mandated requirements. It is our belief that the pressure of time constraints to get information quickly has led to incomplete information and will result in a series of piecemeal reporting requirements. The solution to this problem is increased coordination between the Congress and FEA.

Concerning the assessment of need and definition of information requirements, our review leads us to conclude that FEA has not applied the degree of effort this important function warrants. In studying requirements, we found that there is often a substantial degree of uncertainty and disagreement as to the level of detail and coverage required

to adequately fulfill the stated need. In some instances, this uncertainty and disagreement is the result of congressionally imposed reporting deadlines and in others it is the result of difficulty in obtaining internal FEA approval.

Whatever the reason, many of those requirements being developed and implemented do not completely fulfill the stated need. Therefore, respondents have had to report additional information on a piecemeal basis to supplement that information already supplied to FEA.

To insure that the final product is acceptable in terms of compliance costs and anticipated benefits, more attention needs to be given to assuring that the requirement is reasonable and feasible.

Our review revealed that FEA generally does not publish Federal Register notices or make widespread distribution of the proposal for comment during its development. In order to adequately develop a proposal, we believe it is important that potential respondents and other interested parties be given the opportunity to make their views known before implementing the requirement. Such contacts would assist FEA in identifying possible areas of information duplication and areas where modifications could be made to facilitate compliance while still fulfilling the stated need.

We noted that FEA has techniques to identify other organizations collecting the desired information which could be used to satisfy the stated need in its present form or with certain modifications. However, FEA fluctuates in applying those techniques. Of the requirements that we reviewed, several duplicated information collected by other organizations. In one case the duplication was the result of mandated reporting deadlines, and in another it was the result of failing to obtain official FEA approval.

In assessing the amount of respondent burden, we found that very little attention is given to assessing the impact, financial or otherwise, of the proposal upon the respondents. Rather, the prevailing belief is that FEA's need for the information outweighs any burden that may be imposed.

We noted that FEA's efforts to field test a proposal before implementation have been helpful in obtaining an understanding of prob. areas which would be experienced by respondents in complying and submitting their responses and in clarifying questionable areas before full-scale implementation.

Concerning reassessing the information-gathering process, we found that FEA does not perform any periodic assessment of its process. However, three ad hoc reviews have shown the need for such an effort.

In reviewing the development process, we noted the apparent lack of adequate authority of the agency's clearance review function. Without adequate authority, such a function is somewhat limited in its contribution to improving individual collection efforts and the overall development process. This lack of authority appears to be the result of the function's placement within the overall FEA organization.

FEA is still in the process of establishing and implementing its collection procedures. If properly implemented, the prescribed procedures should enable it to avoid those pitfalls associated with many collection efforts. Current efforts include plans to publish notices in the Federal Register to increase input from potential respondents. Although FEA has not established formal procedures requiring the field testing of a proposal, it has begun such tests and plans to continue to do so.

RECOMMENDATIONS TO THE ADMINISTRATOR,
FEDERAL ENERGY ADMINISTRATION

We recommend that, to clarify and improve information-gathering efforts, FEA:

- More actively contact the various involved congressional organizations during the development process to insure development of a requirement which will fulfill congressional needs. This effort would also help FEA to communicate to the Congress the need for additional time, if required, to develop a reporting requirement.
- Increase its efforts of contacting Government agencies, trade associations, potential respondents, and other interested parties during the early stages of the development process. This effort, together with FEA's plans to publish notices in the Federal Register, would be of great assistance in developing requirements which would be more reasonable and feasible in terms of respondent burden and, therefore, more willingly accepted by the respondents. In addition, this effort

would identify potential alternate sources for the information and would assist in avoiding duplication of collected information.

- Issue procedures requiring field testing of proposals, when warranted, before full-scale implementation.
- Institute a continuous program of evaluating and assessing the information-gathering process and data usage. Based on this effort, decisions could be made to continue collecting the information, modify the requirement, consolidate similar requirements, or eliminate the requirement entirely.
- Review the procedures and placement of the clearance organization and make the appropriate revisions to enable it to independently review information-gathering proposals.
- Insure that the regional offices obtain official approval from the proper officials within FEA and from us before soliciting information from 10 or more parties.

In addition to the above recommendations, we believe that, in order to have an effective development program, action needs to be initiated to change the following basic beliefs.

- The need for information overrides the burden of the respondents in providing that information.
- It is better to obtain information directly from respondents rather than use data from existing reports provided to other organizations.
- It takes too long for Federal agencies to work together and design information-gathering efforts of mutual interest.

AGENCY COMMENTS

FEA generally agreed with us and said that the report will be a valuable tool in improving its efficiency and overall operation. FEA stated that it has recognized many of the problem areas identified in the report and has already implemented several of the recommended actions. Such corrective action has been incorporated in this report.

THE DEVELOPMENT PROCESS FOR A
REPORTING REQUIREMENT

During our preliminary survey, we identified those processes used by the various agencies to develop their information-gathering proposals. From those processes, we constructed the following model which involves those management actions and decisions we believe should be included in the development process. The chart on the next page illustrates the manner in which requirement proposals should evolve and proceed through the development process. While the phase captions are our own, they cover those processes that should be used in the development of a proposal. However, it should be noted that not all changes to an existing requirement have to proceed through the entire development cycle.

CONCEPTUAL PHASE

The conceptual phase is the initial phase in the development of a reporting requirement. At the beginning of this phase, the need for the requirement is identified and verified. This need may involve establishing a new requirement or changing an existing requirement to fulfill the proposed need. Decisions made at this point are very tentative.

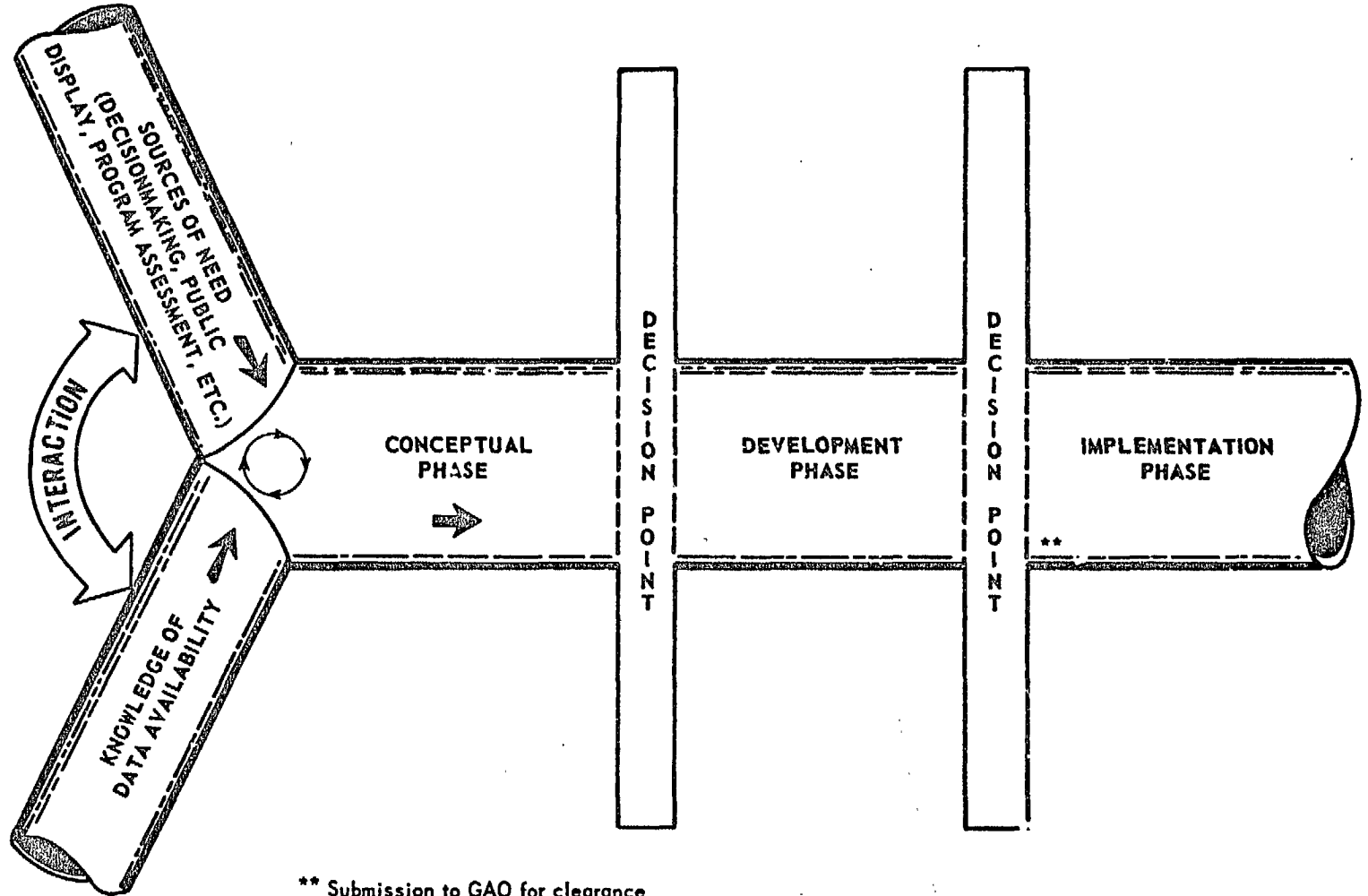
The goal of this part of the process is to verify the reasonableness of tentative decisions. Advancement to the next stage of development depends on satisfactorily meeting the criteria designed to measure achievement of this phase's objective.

Some of the steps that are intended to be accomplished during this phase are

- defining the specific data desired and developing the format for getting it;
- determining whether the desired product can be obtained when it is needed;
- obtaining compliance cost estimates from potential respondents;
- determining agency processing costs;
- performing a preliminary cost-benefit analysis to get a feel for the usefulness of the information in relation to its potential cost;

EVOLUTION OF A REPORTING REQUIREMENT

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- determining if the information desired will duplicate other reporting requirements;
- considering the usefulness of the data to other Federal agencies and beneficiaries; and
- exploring alternative sources for and methods of obtaining requested data, including that which is available commercially.

Following completion of these steps, the requirement development enters the development phase.

DEVELOPMENT PHASE

During this phase, the proposed requirement is publicized for the purpose of soliciting comments from interested parties. Upon receipt and evaluation of the comments, changes frequently are made and a decision as to whether the requirement should be adopted is made. This process may be repeated several times before a requirement is finally adopted or dropped.

Some of the specific agency actions expected to be done during this phase are

- soliciting and considering comments of the affected and interested parties, including provision for face-to-face discussions;
- considering the desirability of field testing the requirement; and
- preparing a cost-benefit analysis specifically evaluating the public interest value of the product being sought against the private interests of the respondents.

At the end of the development phase, the requirement should be in final form and have approval of the agency head or the agency official delegated approval responsibility. Once this approval has been granted, the proposal is submitted to us requesting review and clearance.

IMPLEMENTATION

The culmination of the foregoing processes is the formal adoption of the requirements for data. The quality of the actions taken during the earlier processes can be partially measured by the extent and seriousness of questions raised and the significance of problems

encountered by the respondents in the course of formal compliance. Using this feedback, the agency should analyze the problems and complaints and seek face-to-face discussions with respondents and users to better understand the problems and consider steps to resolve them.

EVALUATION AND REASSESSMENT

Some form of periodic evaluation and reassessment of information collection is required to determine if the process is functioning in accordance with the agency's policies, plans, and procedures, and if it is effective. Presumably, based on these reassessments, decisions are made to either continue requesting and obtaining the information, modify the existing requirement to meet the agency's current needs, consolidate the requirements providing essentially the same or similar information, or eliminate the requirement altogether.

BEST DOCUMENT AVAILABLE

REQUIREMENTS INCLUDED IN REVIEW

- FEA-P303-S-O -- Historical Survey of Non-Branded Independent Gasoline Marketers
- FEA-P304-M-O -- Monthly Survey of Non-Branded Independent Gasoline Marketers
- FEA-P305-S-O -- Refiner/Importer Historical Report of Petroleum Products Distribution
- FEA-P306-M-O -- Refiner/Importer Monthly Report of Petroleum Product Distribution
- FEA-P308-S-O -- Historical Survey of Propane, Distillate Fuel Oil, and Residual Fuel Oil Sales to Ultimate Consumers
- FEA-P314-M-O -- Monthly Survey of Distillate and Residual Fuel Oil Sales to Ultimate Consumers
- FEA-P315-M-O -- Monthly Survey of Propane Sales to Ultimate Consumers
- FEA-P108-S-O -- Wholesale Purchaser-Resellers' Certification of Distribution to Purchaser for use Under an Allocation Level Not Subject to an Allocation Fraction
- FEA-1001 -- Refiner/Importer/Gas Processing Plant Operator Monthly Report by Facility
- FEA-1000 -- Prime Suppliers' Monthly Report
- FEA-P301-S-O -- Oil and Gas Reserves Survey

BEST DOCUMENT AVAILABLE



FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D. C. 20461

MAR 26 1976

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR ELMER B. STAATS

FROM:

FRANK G. ZARB *F*

SUBJECT:

COMMENTS ON GAO DRAFT REPORT ON INFORMATION
GATHERING ACTIVITIES OF THE FEDERAL ENERGY
ADMINISTRATION

The draft report on Information Gathering Practices of the Federal Energy Administration has been received and reviewed by those FEA program offices most directly involved in FEA's information gathering activities. This memorandum presents the FEA views of the overall report and outlines the steps that FEA has and/or will take to improve or eliminate the problems stated in the report.

GENERAL

Generally, the report reflects basic understanding of FEA data collection activities and the pressures under which the systems reviewed by GAO were implemented. Further, it presents sound recommendations for improvements in information gathering procedures. We have recognized many of the problem areas detailed in the report and have already implemented several of the recommended actions. While there is undoubtedly room for improvement, the Agency is not as reactionary as it appears in the report. FEA would like to see the report revised to reflect the current situation at FEA.

SPECIFICA. ASSESSMENT OF NEED AND DEFINITION OF DATA REQUIREMENTS

FEA agrees with the need for clear statements concerning the reason for or the objectives of a data collection effort. Each data requirement justification statement, now prepared by FEA program offices, is reviewed for full and detailed explanation of the circumstances which make the plan or report

form necessary. All legal or administrative requirements must be identified, and the how, by whom, and for what purposes of the data are examined in depth by a minimum of four different FEA offices.

The two examples listed under this item, (Market Shares and Oil and Gas Reserves) serve to point out the complexities involved in this function. Taking all of the constraints into consideration, i.e., reporting deadlines, other agency comments, inconsistency of petroleum industry data, complexities of collecting certain data, FEA determined and took the best course of action to satisfy the Congressional mandate. This is an area of honest disagreement between FEA and GAO. However, FEA will use that experience as background for future efforts in this area.

B. ENSURING DEVELOPMENT OF A REASONABLE AND FEASIBLE REQUIREMENT

FEA agrees that the determination of whether a data requirement being developed is reasonable and feasible is an involved process. We are also well aware of the management processes necessary to ensure a reasonable requirement.

1. In the area of soliciting and considering comments, FEA may have in the past missed some of the sources, but in most cases it was due to a timing problem rather than poor management processes. FEA does not, as a matter of practice, ignore comments received about a data requirement. When this has happened in the past it was for good reasons such as to avoid excess reporting burden on the respondents.

Our efforts to improve this area include new procedures for pretesting major requirements, Federal Register Notices for all new requirements (except emergencies), and better internal coordination.

2. The section of the report on avoiding and eliminating unnecessary duplication cites examples of FEA's efforts and for the most part are complimentary. FEA is continuing to improve the steps necessary to produce better results, i.e., the installation of the FEA Data Element Dictionary. This system contains definitions of all FEA energy system input forms, data elements of the forms, related data bases and systems that process the data.

3. The assessment of burden section of the report does point out some of the problems FEA has had in this area. The concept of burden is a very difficult issue. Obviously, it is in a company's interest to provide the collection agency with a very high estimate of burden in order to discourage the collection of the data. There have never been any guidelines by GAO or FEA on how to assess reporting burden. Since there is no precise definition of burden (manhours, computer hours, dollars, etc.) there is no basis for combining the estimates received. Also, there is no easy way to assess how much of the burden represents costs already incurred (i.e., "sunk costs"). However, our evaluation technique to date has consisted of calling the companies and asking them for burden estimates as well as drawing comparisons with similar reporting that they are doing currently. But, admittedly, several times that has produced less than satisfactory results. FEA feels the pretesting of major data requirements will do much to improve performance in this entire area.

4. Performance of field-tests now has been formally defined in the FEA Forms Clearance Directive. The Office of Data Services has established this function under the Office of Data System Support. Decisions to pretest a proposal will no longer be based upon arbitrary facts. The items listed in the report and other established criteria will be used.

C. REASSESSMENT OF INFORMATION COLLECTION AND USAGE

At the present time, FEA efforts in this area are confined to the analysis of a collection effort only when a data form approaches expiration. Offices within FEA are notified approximately four months in advance of the expiration date for their collection forms. This process requires evaluation of the requirement and results in an extension request to GAO or the elimination of the form. In 1975, FEA allowed more than twelve forms to expire.

FEA agrees that there should be more emphasis in this area. Operational procedures are being revised to include the requirement for periodic evaluation of on-going collection efforts by the FEA program offices.

D. FEA REQUIREMENTS MANAGEMENT PROGRAM

This is one of the sections of the report that prompted our comment, that we would like to see the report revised to reflect the current situation at FEA. The Office of Policy and Analysis was reorganized in September 1975. This reorganization elevated the forms clearance function to the Office of the Deputy Assistant Administrator for Data Services. This does not satisfy the GAO recommendation that the forms clearance function be independent of the officials who are responsible for information gathering activities. However, it does satisfy the prerequisite of an effective management system authority level.

FEA's new procedures now call for a more realistic ten working days for requirements reviews. Enforcement of this procedure is still difficult, but violations now result in notification at the Assistant Administrator level, and we feel that future response turnaround will improve. FEA has also automated some of the recordkeeping and monitoring system functions. The weekly status report reflects more current information and is being distributed to a wider audience within FEA to increase awareness and interest.

E. SUMMARY

FEA agrees with the recommendations made by GAO and has, within the past several months, taken steps that will meet them, (1) FEA has established contact with several Congressional committees and is making a concerted effort to know their needs prior to implementing new systems and in revising on-going systems, (2) increased interagency coordination has been established via the recent implementation of the Federal Energy Information Locator System (FEILS), and the participation of FEA via the newly created Federal Interagency Council on Energy Information, (3) the advance publication in the Federal Register of proposed data collection efforts, (4) the expansion of field testing procedures, and (5) the reorganization within FEA to make forms clearance a responsibility of the Deputy Assistant Administrator for Data Services.

FEA believes the GAO report lacks timeliness, not validity. This report will be a valuable tool for FEA in its continuing effort to improve efficiency and overall operation.