

A Report by a Panel of the

**NATIONAL ACADEMY OF
PUBLIC ADMINISTRATION**

for the United States Congress and the Department of Energy

July 2009

DEPARTMENT OF ENERGY

MANAGING AT THE SPEED OF LIGHT

IMPROVING MISSION-SUPPORT PERFORMANCE

PANEL

Jonathan D. Breul*
Dwight A. Ink*
Allan Burman*
C. Morgan Kinghorn, Jr.*
Janice Lachance*
Peter W. Marshall*
Howard M. Messner*
Deborah J. Spero

* *Academy Fellow*

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Kenneth Ryder,* *Senior Consultant*
Pamela Creek, *Senior Consultant*
Kenneth Hunter, *Senior Consultant*
Jeremy Arensdorf, *Research Associate*
Morgan Clark, *Research Associate*
Kate Shinberg, *Research Associate*
Martha S. Ditmeyer, *Senior Administrative Specialist*

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National Academy of Public Administration
900 7th Street, N.W.
Suite 600
Washington, DC 20001-3888
www.napawash.org

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* *Academy Fellow*

FOREWORD

The challenges facing government today are larger and more complex than ever before, and the U.S. Department of Energy (DOE) is responsible for achieving some of the Nation's most important and technically challenging missions. Whether addressing climate change, increasing the nation's energy independence, improving our capacity for energy innovation, or managing large-scale environmental remediation programs, DOE plays a critical role in securing America's future.

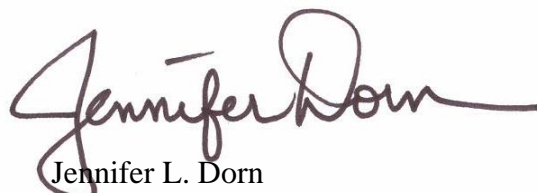
With over 16,000 employees, an additional 100,000 contract employees, and an annual budget of nearly \$25 billion devoted to these critical tasks, DOE urgently needs and deserves world-class mission-support functions. This urgency is compounded by the nation's financial crisis and DOE's newest responsibility: quickly dispersing and effectively overseeing over \$30 billion in contract and grant authority and issuing tens of billions of dollars in loan guarantees under the American Relief and Reinvestment Act of 2009. Now, more than ever, DOE program managers need the active and constructive support of their human resource, contracting, and financial management colleagues to help the nation recover and rebuild.

To meet these urgent needs, the National Academy Panel urges DOE to build a performance-driven culture that is intensely focused on mission-support within and among human resources, contracting, and financial management. The Panel offers specific recommendations to strengthen the mission-focus and improve the management of each of these support functions based on five "management mandates":

Strategic Vision
Leadership
Mission and Customer Service Orientation
Tactical Implementation
Agility/Adaptability

To its credit, over the course of the project, DOE made considerable progress, particularly in contracting and financial management.

The National Academy extends its appreciation to the members of the project Panel for their keen insights and outstanding contributions, and to the project team for its excellent staff work. Our deep appreciation goes, as well, to the leadership of the department and the thoughtful contributions of those who were interviewed during the course of this effort.



Jennifer L. Dorn
President and Chief Executive

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ACRONYMS

3 Rs	Recruitment, Retention, and Recognition
AABPA	American Association for Budget and Program Analysis
Academy	National Academy of Public Administration
ACM	acquisition career management
AFP	Approved Funding Program
AL	acquisition letter
APLD	Acquisition Planning and Liaison Division
BCR	business clearance review
BSC	balanced scorecard
CAHRS	Certified Assessment of Human Resources Systems
CAO	Chief Acquisition Officer
CD	Critical Decision
CFO	Chief Financial Officer
CHCO	Chief Human Capital Officer
CHRIS	Corporate Human Resource Information System
CIO	Chief Information Officer
CMO	Chief Management Officer
CPR	corporate program review
CSO	Corporate Services Office
CY	calendar year
DAS	Deputy Assistant Secretary
DAU	Defense Acquisition University
DCPDS	Defense Civilian Personnel Data System
DEAR	Department of Energy Acquisition Regulations
DHS	Department of Homeland Security
DISCAS	Departmental Integrated Standardized Core Accounting System
DLA	Defense Logistics Agency
DoD	Department of Defense
DOE	Department of Energy
EDOCS	Electronic Document Management System
EERE	Office of Energy Efficiency and Renewable Energy
EM	Office of Environmental Management
EMCBC	Environmental Management Consolidated Business Center
EPA	Environmental Protection Agency
ERB	Executive Review Board
FAR	Federal Acquisition Regulations
FE	Office of Fossil Energy
FTE	full-time equivalent
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
HC/HR	human capital/human resources
HCA	Head of Contracting Activity
HCAAF	Human Capital Assessment and Accountability Framework

HHS	Department of Health and Human Services
HPS	Office of Headquarters Procurement Services
HQ	headquarters
HQ HRO	Office of Human Resource Services
HRO	human resources office
HUD	Department of Housing and Urban Development
IAA	interagency agreement
iBudget	DOE's budget system
IDW	Integrated Data Warehouse
iManage	Integrated Management Navigation System
IPT	integrated project team
IT	information technology
LM	Office of Legacy Management
MEO	most efficient organization
NASA	National Aeronautics and Space Administration
NE	Office of Nuclear Energy
NETL	National Energy Technology Laboratory
NNSA	National Nuclear Security Administration
NSF	National Science Foundation
OCFO	Office of the Chief Financial Officer
OCHCO	Office of the Chief Human Capital Officer
OCRWM	Office of Civilian Radioactive Waste Management
OE	Office of Electricity Delivery and Energy Reliability
OECM	Office of Engineering and Construction Management
OFPP	Office of Federal Procurement Policy
OGC	Office of General Counsel
OMB	Office of Management and Budget
OPAM	Office of Procurement and Assistance Management
OPM	Office of Personnel Management
PA&E	Office of Program Analysis and Evaluation
PALT	Procurement Action Lead Time
PART	Program Assessment Rating Tool
PMM	Performance Measure Manager
PPBE	planning, programming, budgeting, and evaluation
REA	request for equitable adjustments
Recovery Act	American Recovery and Reinvestment Act of 2009
RFP	request for proposal
RW	Office of Civilian Radioactive Waste Management
SARA	Services Acquisition Reform Act
SCR	system change request
SEB	Source Evaluation Board
SES	senior executive service
SGL	Standard General Ledger
SPE	Senior Procurement Executive
SPRPMO	Strategic Petroleum Reserves Project Management Office
SRB	Senior Review Board

STARS	Standard Accounting and Reporting System
STRIPES	Strategic Integrated Procurement Enterprise System
TAP	Transformation Action Plan
USM	Undersecretary for Management
WCM	Workload Comparability Model

EXECUTIVE SUMMARY

When the House and Senate Energy and Water Development Appropriations Subcommittees asked the National Academy of Public Administration (Academy) to review three mission-support functions in the Department of Energy (DOE)—human resources, contracting, and financial management—no one could have anticipated that before the study ended, new legislation would more than double DOE’s budget and add tens of billions of dollars to its new loan guarantee authority. The enactment of the American Recovery and Reinvestment Act of 2009 (Recovery Act) heightens the concerns that prompted this study, and makes it even more

“We’ve got to do this....”

*Energy Secretary Chu
Wall Street Journal, February 6, 2009,
in an article on DOE’s implementation
of the Recovery Act.*

imperative that these critical mission-support functions are positioned to handle the work ahead. Secretary Steven Chu is asking the department to work “at the speed of light” to address the challenges and embrace the opportunities that lay before it. The mission-support organizations provide the grease that makes the department run. Without mission support, work in the

program offices will grind to a halt. Now more than ever, the department’s mission-support organizations must be *Managing at the Speed of Light* to work in partnership with the program offices to accomplish the department’s mission.

The Panel believes that these extraordinary times in our Nation’s history demand that the department revitalize the management of its critical mission-support functions. Now more than ever, accomplishing DOE’s mission must be the mission-support offices’ number one priority; it must be the primary driver for the work they do and how they perform it. The success of these offices should be measured by how well they work with the rest of the organization to achieve DOE’s mission and whether their work is done with the speed and transparency that meets the expectations of the new Administration.

OVERARCHING CHALLENGES

Very early in the study, a Panel of Academy Fellows found two overarching management challenges whose resolution is critical to DOE achieving its mission objectives. First, the three mission-support offices—the Office of the Chief Human Capital Officer (OCHCO) in particular—need to develop a stronger mission focus. The Panel found that mission requirements are not consistently met and that service delivery strategies lack a strong customer service orientation. DOE does not have formal systems to assess how well the mission-support offices are meeting the needs of the department and to hold them accountable for doing so. Second, DOE needs to better integrate and manage the mission-support offices’ efforts in order to develop a coordinated approach to providing essential support services.

To address these overarching challenges the Panel concludes that DOE must take immediate

“DOE does not have an active focal point for management...”

action to revitalize the leadership and management infrastructure of these offices and revamp the degree and manner in which they work with one another and support the program offices.

Undersecretary for Management

The high-risk nature of the department’s operations, the complexity of its mission, and its organizational size and structure require a management focal point for DOE’s mission-support operations and ongoing mechanisms to ensure that the program offices and mission-support offices in headquarters and the field sites work together to identify and meet mission requirements and to establish greater accountability for results. To help accomplish this complex task, the Panel recommends that DOE create an Undersecretary for Management (USM) position.

“The USM brings a management focus to the senior leadership table and reinforces the need to hold the department’s senior leadership accountable for good management.”

Operations Management Council

When the mission-support offices develop policies, processes, and systems, they must reflect the strategic direction and requirements of DOE’s senior leadership and enable DOE to successfully accomplish its mission. The Panel believes that this demands that the senior leadership of the mission-support offices, program offices, and other appropriate senior headquarters officials and site managers have an ongoing forum where they are actively engaged and accountable for the overall management of the department, identify the department’s mission-support needs, and approve strategies to meet them. The Panel recommends that DOE create as soon as possible an Operations Management Council, consisting of the leadership of the mission and mission-support organizations and chaired by the Deputy Secretary to meet this need.

Mission-Support Council

The Panel also believes that DOE’s mission-support offices need a formal, ongoing mechanism to work collaboratively with their functional counterparts in the program offices and field sites. It recommends that DOE establish a Mission-Support Council, chaired by the USM and consisting of the leadership of the mission-support organizations and their counterpart administrative organizations in the program offices and field sites, to provide a forum where the department’s senior administrative officials share ideas, raise concerns, discuss strategies, analyze issues, and resolve mission-support problems impacting the department.

The Panel also found that there is a need for greater cross-fertilization of staff between program offices and mission-support offices and between headquarters offices and field offices. The mission-support offices play a critical role in the execution of program activities. To be effective, they must understand the mission needs of their customers. Likewise, customers must understand their responsibilities for meeting their mission-support needs. The report contains recommendations to more actively recruit program and field offices staff for mission-support

positions, and to incorporate into DOE’s career development programs rotational assignments, details, and other mechanisms to ensure that staff gain an appropriate and important understanding of DOE’s mission, mission-support, headquarters, and field operations.

ASSESSMENT OF THE MISSION-SUPPORT OFFICES

The Panel identified the following five major Management Mandates that served as criteria against which all emerging findings were assessed.

- 1. Strategic Vision**
- 2. Leadership**
- 3. Mission and Customer Service Orientation**
- 4. Tactical Implementation**
- 5. Agility/Adaptability**

The Panel’s assessment of each office’s performance against the five Management Mandates reveals some striking contrasts among the three mission-support offices.

Human Resources

“...the Panel was very troubled to find that OCHCO was not performing successfully any of the key elements found under the five management themes.”

Of the three mission-support offices, by far, the most critical problems are in the human resources (HR)/human capital (HC) area where the Panel found an office with serious issues in all of the Management Mandate areas. HR comprises the operational activities and HC encompasses all of the strategic activities

associated with managing the department’s workforce. Both are essential for a well-functioning organization.

At the very outset of this study, the Panel identified two major HR/HC challenges that had not been adequately addressed for several years—the lack of a strategic HC vision and widespread concerns with the quality of operational staffing services performed by OCHCO’s Office of Human Resource Services (HQ HRO). Underlying both issues is a longstanding lack of strong leadership. Without it, OCHCO is unable to effectively fulfill its responsibilities as a key partner and advisor to DOE’s senior leadership.

“Of particular concern to the Panel was the lack of strong leadership within OCHCO.”

“Given the significant increase in mission workload that the department is experiencing as a result of the Recovery Act and other potential energy-based initiatives the Administration may pursue, it is urgent that OCHCO fundamentally change. Failure to act may have a profound adverse effect on DOE’s mission organizations’ ability to fulfill mission requirements.”

OCHCO remains an inwardly focused, regulation-based, transactional organization. OCHCO leadership has not set a strategic vision for the office that is mission and customer focused. Nor has it demonstrated the agility/adaptability or analytic capacity to improve its operations to adapt to the needs of its customers or develop proactive HC solutions. Absent these leadership and management capabilities there is little chance that OCHCO’s business practices or culture can evolve in a positive, mission-focused direction. The Panel believes it is urgent that OCHCO undergo fundamental change. When DOE fills its Chief Human Capital Officer (CHCO) position, it will have the opportunity to bring new leadership to the office that can foster a transparent and collaborative environment and focus on improving OCHCO’s ability to meet the department’s

HC needs. The department’s incoming CHCO must cultivate and implement major changes in OCHCO’s culture and how it carries out its roles and responsibilities in order to work in partnership with the mission offices and improve its overall performance. However, the department cannot afford to wait until the appointment of a new CHCO to begin to implement change in its HR operations. The functions OCHCO performs are too critical to achieving DOE’s mission. Until such time that a new CHCO takes the helm, DOE senior leadership should monitor the initiatives OCHCO undertakes to address its servicing problems. The Operations Management Council is an ideal forum for doing so.

“The Panel specifically underscored that it believed that the quality/timeliness issues relating to staffing had reached the point where [OCHCO’s Human Resource Office’s] staffing performance was compromising mission accomplishment.”

HQ HRO service delivery is clearly the most serious, ongoing problem that DOE headquarters officials identified during this study. The most intense frustrations are caused by the lengthy amount of time it takes to process hiring actions and that due to turnover and hiring delays, organizations are often unable to fill their authorized complement of positions. It is the Panel’s view that OCHCO’s response to its customers’

frustrations and concerns with HR servicing and its impact on the department’s mission lacks any sense of urgency. This belies the severity of the situation and reflects an insufficient mission and customer service orientation.

The Panel makes several recommendations to improve OCHCO’s performance. Chief among them is a recommendation, made in October 2008, for OCHCO to develop a Transformation Action Plan (TAP) to address its service delivery problems and, specifically, to develop within 45 days alternatives for how its current staffing-related workload for DOE headquarters can be shared among the field human resources offices (HROs). DOE accepted the Academy Panel’s findings and OCHCO developed an action plan that begins to address its customers’ service delivery concerns. However, with respect to the most critical problem—staffing services provided to DOE headquarters—the TAP deferred completing the evaluation of its HR servicing arrangements until the 4th quarter of FY 2009.

When the Panel met in January 2009, it informed DOE that it was very concerned about the lack of urgency OCHCO showed in its response to addressing the management and operational problems that were impacting its ability to meet customers' needs. The Panel reiterated its original recommendation and underscored the need for OCHCO to move aggressively to develop alternative service delivery models that used the field HROs to help with headquarters' staffing workload. In late February 2009, Secretary Chu determined that the HQ HRO recruitment process was "broken" and needed to be "repaired," and chartered an internal study team to "fix" the problems. The results of that study team await the Secretary's approval. The additional workload created by the Recovery Act makes it even more urgent for DOE to move quickly to address these problems. The Panel urges Secretary Chu to act on the study team's proposals as quickly as possible.

"...the problems in OCHCO dictate that DOE take immediate action."

Contracting and Acquisition

With a mission that is performed almost entirely by contractors and with more contracting obligations than any other civilian department, DOE is highly dependent on its contracting function to accomplish its mission. The large influx of money from the Recovery Act only increases the vital role contracting already plays in DOE's mission accomplishment. The Panel believes that the critical importance of contracting demands that DOE's most senior contracting executive have a "seat at the senior management table" equivalent to the CHCO and Chief Financial Officer (CFO) in order to ensure that the strategic vision for DOE's contracting operations fully supports DOE mission accomplishment. The Panel recommends that the department develop alternatives for ensuring that the contracting function has adequate access to departmental leadership and fully participates in appropriate aspects of departmental decision-making.

"OPAM is successfully performing many of the elements that comprise the management themes examined during this study. However, there are several critical areas where OPAM is not performing as well as it should."

The Office of Procurement and Assistance Management (OPAM) is the DOE headquarters office responsible for managing and overseeing the department's contracting operations. A major reason why the Subcommittees asked the Academy to examine DOE's contracting operations was their concern with the length of time it takes to execute the department's major procurements. In a June 2006 report, the Government Accountability Office found in its review of five DOE contracts that "... delays in obtaining the required review and approval from DOE headquarters officials caused an average five-month delay in contract award." During a

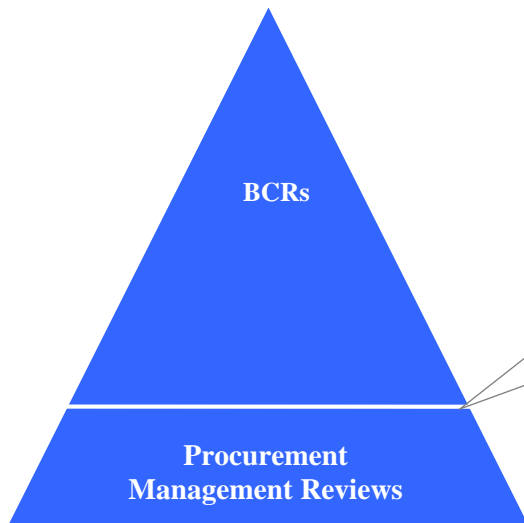
prior Academy study, an Academy Panel traced a large part of the delays in DOE's procurements to its business clearance review (BCR) process, where OPAM, the Office of General Counsel, and others review various documents (solicitations, contracts, major contract changes, etc.) generated for select procurement actions throughout the contract award process. Delays in the process are a constant frustration for both program staff and contracting officials.

At the Academy's urging, OPAM performed a reengineering analysis of the BCR process and made several changes designed to speed it up. However, while, customers of the BCR process report that they have benefited from the changes and acknowledge OPAM's efforts to work with them to improve the process, the changes have not yet produced significant improvements in processing times, nor do they address other significant deficiencies with the BCR process. The Panel believes that additional major changes are still needed to address lengthy processing times and to promote greater accountability for obtaining mission results, including flowcharting the actual practices of all organizations involved in the process as urged by the Panel.

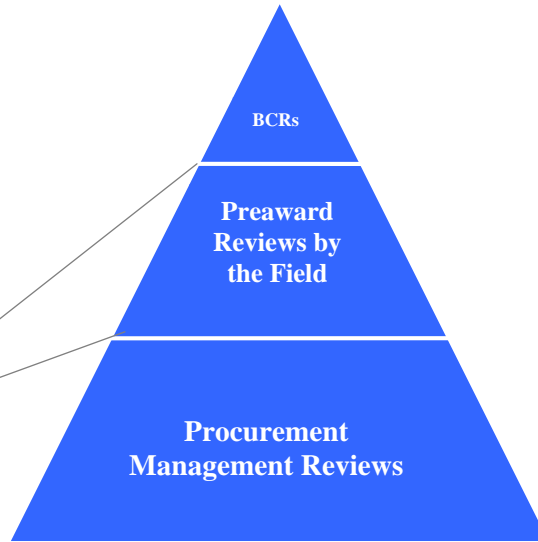
OPAM's BCR process is managed by a group of highly competent contracting professionals who strive to ensure that the department's acquisitions are of the highest quality. However, the Panel believes that this model of operation is too dependent on a strong contracting capability in headquarters and does not adequately focus on developing the infrastructures of DOE's field procurement offices. Most of DOE's significant contract activity takes place in the field, and the Panel believes that those offices should be afforded much greater discretion in performing their responsibilities and held accountable for the results. The Panel recommends that OPAM lead an effort to build the capabilities of the field procurement offices to improve the quality of their actions in general and to enable them to review a much larger portion of their actions prior to award. The scope and substance of the BCR process should be reduced, and OPAM should rely on robust procurement management reviews of the field procurement offices as the foundation for its contracting oversight program. (See the figure below.) OPAM staff (referred to as "buddies") should be empowered to provide support to the field's contracting activities without having actions undergo formal BCR processing. To ensure that the buddies have a greater understanding of the nature of the work being performed, the Panel recommends that they regularly visit the sites to which they are assigned.

"The effectiveness of these proposed changes does not rest solely upon their implementation by OPAM. ...field procurement offices must commit to improving their operational and independent review capacities and accept greater accountability for timely processing of BCRs as well as achieving sound acquisition results in all aspects of their procurement programs."

Today's Oversight Model



Recommended Oversight Model



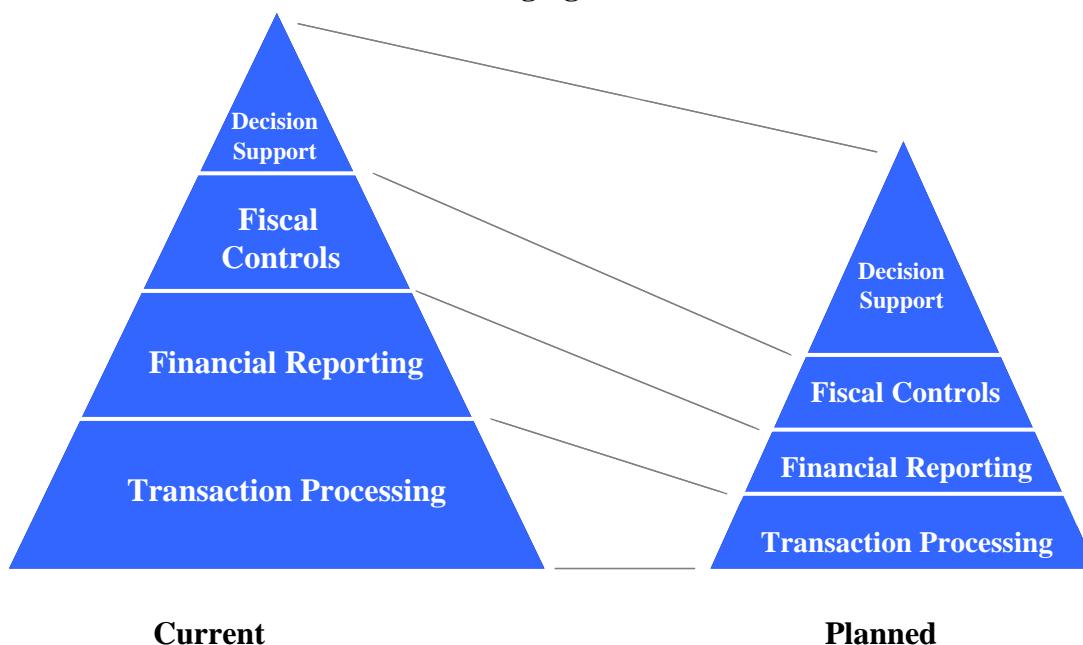
OPAM management has consistently maintained that its reengineering efforts are directed toward building field procurement capabilities and moving to an oversight system that would rely primarily on PMRs. However, the Panel believes that implementation of the specific recommendations contained in this report, a heightened sense of urgency, and OPAM's leadership are necessary to accomplish this.

Office of the Chief Financial Officer

“Of the three offices reviewed, OCFO's performance of the key elements within the management themes was the strongest.”

The Panel found that the Office of the Chief Financial Officer (OCFO) has developed a more strategic approach to guide its operations than the human resources and contracting offices. Current OCFO leadership is in the process of transforming the office's financial management operations. The CFO's strategic vision is an OCFO operation with fewer staff that place less emphasis on transactional processing and greater emphasis on analyzing budget, cost, and performance data to support the Secretary's decisions and improve DOE program performance. (See the figure below.)

The Changing Role of OCFO



Nonetheless, the Panel found several areas where OCFO performance can be improved. Without a long-term planning and programming component to DOE’s budget formulation system, the program goals established in DOE’s 5-year Strategic Plan are not effectively linked to decisions emanating from the budget formulation process. This impedes the Secretary’s ability to achieve efficiently and effectively the long-term goals of DOE’s many complex programs that have multi-year dimensions and significant long-term costs. The Panel recommends that DOE add a formal, long-term planning, programming, and evaluation component to its budget formulation process and integrate it with the Critical Decision process—DOE’s independent, formal decision process for approving major capital asset projects.

“Strategic planning needs to be integrated more fully into the financial management and budget formulation process.”

Moving from Scorekeeper to Strategic Partner

Unlike virtually every other federal department and agency, DOE allots appropriated funds to field office managers and field CFO’s and not to the Program Assistant Secretaries whom Congress, the Secretary of Energy, and the public hold accountable for achieving program results. As a result, DOE’s budget execution system has a fundamental, critical deficiency—it fails to align control over budgetary resources and funding accountability with program responsibilities. The Panel recommends that DOE change its budget allotment process by allotting appropriated funds to the Program Assistant Secretaries and making them responsible for allocating their budgetary resources to the field. The report also includes recommendations to simplify a very complex budget execution system and improve the process for managing the budget reprogramming process.

IN CONCLUSION

DOE's mission-support organizations directly impact the department's ability to carry out its mission, and to the extent that they do not have a mission-oriented focus, the basic program activities of the department are imperiled. The Panel's recommendations are aimed at both providing that focus and producing improved service delivery to the rest of the department. Although change has come slowly, DOE has taken a number of significant steps since this study began to improve how the mission-support offices function. However, the magnitude of the new responsibilities that accompany the Recovery Act and the critical need to deliver on those quickly, has added a new level of importance to the need for managerial changes and the urgency with which they are made. Without an Undersecretary for Management, one of the Panel's key recommendations, there is no person other than an already overburdened new Secretary or a yet to-be-confirmed Deputy Secretary to oversee the implementation of recommendations among these disconnected offices.

“The Panel believes that adopting these recommendations will not only make DOE a better functioning organization, but that most of them are essential if DOE is to put its very large allocation of Recovery Act funding to its intended uses as quickly as possible.”

The Panel recommends that DOE submit to the Subcommittees that mandated this study an action plan detailing the recommendations that will and will not be implemented. For the recommendations being implemented, the plan should detail who will be responsible for each recommendation and provide a timeline for its accomplishment. For recommendations not being implemented, the plan should state the reasons for those decisions and what alternative approaches DOE recommends to address the problems underlying the recommendations.

CHAPTER 1 INTRODUCTION

Senior staff at the Department of Energy (DOE) report that when their new Secretary, Dr. Steven Chu, wants action by a program office, he often says that he wants it done “at the speed of light.” The program office, however, often does not have the wherewithal to accomplish the task by itself. More often than not, it needs the technical support and expertise of the department’s core mission-support functions—human capital, acquisition, and financial management. At the direction of the House and Senate Energy and Water Development Appropriations Subcommittees, a Panel of the National Academy of Public Administration (the Academy) examined these three critical mission-support offices and found that working at “the speed of light” is not a management paradigm universally embraced by these three offices. As will be discussed throughout this report, the Panel found that the three mission-support offices examined have different levels of success when it comes to *Managing at the Speed of Light*. The Academy Panel believes that if DOE’s programs are to accomplish their missions, then all of the department’s mission-support functions must be strong partners with the program offices and focused on mission accomplishment.

IMPACT OF THE RECOVERY ACT

“The American Recovery and Reinvestment Act is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. The Recovery and Reinvestment Act is an extraordinary response to a crisis unlike any since the Great Depression. With much at stake, the Act provides for unprecedented levels of transparency and accountability so that you will be able to know how, when, and where your tax dollars are being spent. Spearheaded by a new Recovery Board, this Act contains built-in measures to root out waste, inefficiency, and unnecessary spending.”

Excerpt From Recovery.gov—Official Website for the Recovery Act

The American Recovery and Reinvestment Act of 2009 (Recovery Act) more than doubled the DOE budget and added tens of billions of dollars to DOE’s new loan guarantee program.¹ DOE is being challenged to administer this major infusion of funds and to put them to use to bolster the Nation’s economy within a two-year period. In government terms, that is, indeed, “the speed of light.” At the same time, the Act has very heavy reporting and accountability requirements. To accomplish all of this, DOE will place

“We’ve got to do this....”

Energy Secretary Chu

Wall Street Journal, February 6, 2009, in an article on DOE’s implementation of the Recovery Act.

¹ DOE’s fiscal year 2009 budget request was approximately \$25 billion. Under the Recovery Act, DOE received an additional \$32.7 billion in contract and grant authority, \$6 billion in credit subsidy to support tens of billions of dollars in loan authority, and \$6.5 billion of borrowing authority for the Power Marketing Administrations.

a tremendous burden on its financial accounting and reporting systems, and will severely strain its ability to execute the necessary contracts and financial assistance agreements and to hire the staff needed to administer the expanded programs. Now more than ever, the department's new mission-support organizations must be *Managing at the Speed of Light* to meet the challenges before them.

OVERVIEW OF THE PANEL'S REPORT

The requirements of this study called for a review of how human capital, acquisition and financial assistance, and financial management support was being delivered across the department.² Very early in the study, four very different stories began to emerge. The first story is one of overarching management challenges that were not part of the original study charter, but whose resolution is critical to DOE achieving its mission objectives. One challenge is the need to strengthen the mission focus of the mission-support activities. The three mission-support offices, the Office of the Chief Human Capital Officer (OCHCO) in particular, need to develop a stronger mission orientation. The Panel found that, as a result, the department's mission requirements were not consistently met and that service delivery strategies lacked a strong customer service orientation. Another challenge is the need to better integrate and manage the mission-support offices' efforts in order to develop a coordinated approach to providing essential support services. Chapter 2 tells this tale.

The other three stories are the separate accounts of each of the three mission-support offices that were reviewed. As the study progressed, the Panel identified the following five major Management Mandates that provided criteria against which all emerging findings were assessed.

MANAGEMENT MANDATES

1. **STRATEGIC VISION**—The organization has defined a future vision that demonstrates a full understanding of the department's mission and its role in achieving mission, and clearly articulates how the organization will operate/manage its responsibilities, the challenges confronting it, and approaches for meeting them.
2. **LEADERSHIP**—The organization's leaders are able to bring about strategic change; lead staff to meet the organization's vision, mission, and goals; are results driven and accountable (able to meet organizational goals and customer expectations); exhibit business acumen (able to manage human, financial, and information resources strategically); and able to build coalitions internally and with other federal agencies, state and local governments, stakeholders, etc.
3. **MISSION AND CUSTOMER SERVICE ORIENTATION**—The organization is focused on how its operations support DOE programs and customers in achieving their goals and objectives.

² The study scope included a review of the roles and responsibilities of both headquarters and field mission-support organizations; delegations of authority; policies and procedures; service metrics; systems; and staffing levels for the headquarters mission-support offices.

4. **TACTICAL IMPLEMENTATION**—The organization has the resources, data, systems, and technical and analytic capability to perform its functions, and champions the development of staff capacity and their empowerment to meet the needs of DOE across the department.
5. **AGILITY/ADAPTABILITY**—The organization is aggressively pursuing with some sense of urgency initiatives to improve operations, and positions itself to successfully adapt to changing business situations and requirements (e.g., responding to the Recovery Act).

The Panel's assessment of each office's performance against the five Management Mandates revealed some striking contrasts among the three mission-support offices. The story of OCHCO is told in Chapter 3. Essentially, it describes an office with serious performance problems in all of the Management Mandates. Chapter 4 tells the story of the Office of Procurement and Assistance Management (OPAM), the DOE headquarters contracting office, which is successfully performing many of the elements included within the Management Mandates, but needs improvement in several key areas. Chapter 5 tells the story of the Office of the Chief Financial Officer (OCFO). Of the three offices reviewed, OCFO was more fully performing the elements outlined under each Management Mandate. Each of these chapters begins with a brief profile that assesses the offices' performance against the five Management Mandates.

Due to the significant variations in how the three mission-support offices were performing against the Management Mandates, the Panel's approach to reviewing the offices differed. The far deeper, more serious, and longstanding nature of the issues identified in OCHCO kept the Panel's focus and its recommendations at a broader leadership and strategic vision level. In both OPAM and OCFO, the Panel was able to look in more detail at some of those offices' systems and procedures. Therefore, the Panel made more detailed recommendations for those functions. A list of all Panel recommendations is included in Attachment 1.1 at the end of this report.

BACKGROUND OF THIS STUDY

In 2003, the House Interior Appropriations Subcommittee asked the Academy to assess a comprehensive reorganization of one of DOE's smaller program offices—the Office of Energy Efficiency and Renewable Energy (EERE)—and its acquisition and financial management operations. Then in September 2005, the House and Senate Energy and Water Development Appropriations Subcommittees asked the Academy to undertake a management review of DOE's Environmental Management Program (EM), focusing on the management and organization of EM, its acquisition and project management operations, and an assessment of EM's human capital operations. During the course of these two studies, the Academy Panels noted that many of the problems found in the human capital and acquisition areas could not be resolved by the program offices acting alone because of the critical role the DOE departmental human capital

and acquisition offices play in the execution of those activities. As a result, in December 2007,³ the House and Senate Energy and Water Development Appropriation Subcommittees asked the department to contract once again with the Academy to examine these mission-support activities as well as the Office of the Chief Financial Officer and to recommend steps to improve how they function.

INTERACTIVE NATURE OF THE STUDY

This study continued the ongoing, interactive working relationship with DOE that it formed during the EERE and EM studies. Academy staff met regularly with DOE leadership to inform them of the issues and the recommendations that were being developed. Senior DOE officials attended all four of the Panel meetings held throughout the study period to exchange views with Academy Panel and staff. And Academy staff conducted formal briefings with DOE leadership in October 2008, January 2009, and April 2009 to provide them with the Panel's assessment of the issues and recommendations for how DOE's mission-support offices could more effectively help DOE achieve its mission. In the chapters that follow, recommendations made in October and January are identified as such.

STUDY METHODOLOGY

The Academy convened an expert Panel of Academy Fellows⁴ experienced in human capital management, acquisition, financial management, and organization and management—a number of whom were veterans of the EERE and EM studies—to guide the project's research and make proposals to improve DOE's operations. Staff experienced in these subject areas were recruited to support the Panel. Most of the staff also worked on the prior DOE studies. For acquisition expertise, the Academy subcontracted with the Jefferson Consulting Group. Biographical sketches of Panel members and staff are provided in Attachment 1.2 at the end of this report.

The primary means of data collection were interviews with DOE staff in headquarters and the field. Academy staff visited five major DOE sites (the Las Vegas Field Office, Golden Field Office, the National Energy Technology Laboratory locations in both Pittsburgh, PA and Morgantown, WV, the Idaho Operations Office, and the Chicago Office), and conducted phone interviews with personnel at several smaller sites. Staff conducted benchmarking interviews at 12 federal agencies to collect information on their experiences in all of the mission-support functions examined during this study. Staff also reviewed applicable documents, including Government Accountability Office (GAO) reports, DOE Inspector General reports, numerous DOE policy documents and orders, and other data. Experience at sites visited during the EM study also proved valuable in this study, and telephone interviews were conducted with officials at those sites to update the staff's knowledge. A list of persons interviewed or contacted

³ Congress directed that the Academy undertake this study in the Consolidated Appropriations Act of 2008 (H.R. 2764, Public Law 110-161), which was signed by the President on December 26, 2007.

⁴ DOE nominated one Panel member who was not an Academy Fellow.

throughout the study is found in Appendix 1.1.⁵ Over the course of the three studies, Academy staff visited 14 sites and interviewed over 1,200 individuals.

Both the human resources and acquisition areas also lent themselves to comparisons with external standards. To help assess DOE's human resources operations, Academy staff used the human resources standards, performance elements, and success attributes and indicators that are the basis for the Certified Assessment of Human Resources Systems (CAHRS), which the Academy developed for the University of California. These validated standards balance both strategic and operational dimensions and are one means of determining successful performance in the complex and diverse human resources practices found within DOE. The Academy also assessed DOE's human resources activities against the Office of Personnel Management's Human Capital Accountability and Assessment Framework.

In assessing DOE's acquisition operations, the Academy employed, to the extent possible, the principles contained in GAO's *Framework for Assessing the Acquisition Function at Federal Agencies*, which was issued in September of 2005. The framework contains an approach to assessing acquisition organizations by examining: (1) organizational alignment and leadership, (2) policies and processes, (3) human capital, and (4) knowledge and information management.

As noted above, the Panel met four times during the course of the study to review progress; review and approve interim conclusions and recommendations; and provide direction to the staff. DOE's senior leadership attended all of the meetings, and congressional and GAO staff attended some of them.

⁵ All appendices are included in a second volume to this report.

CHAPTER 2

DOE'S MISSION-SUPPORT ORGANIZATIONS

“The Department of Energy's overarching mission is to advance the national, economic, and energy security of the United States; to promote scientific and technological innovation in support of that mission; and to ensure the environmental cleanup of the national nuclear weapons complex.”

Excerpt from the DOE website

The Secretary and Deputy Secretary rely upon the Program Assistant Secretaries for program results. But DOE's mission cannot be accomplished without its mission-support organizations. They provide the human resources; contracting and other acquisition activities; and financial management support, which are the grease that makes the programs run. Without the work of the three major mission-support offices that are the focus of this study—the Office of the Chief Human Capital Officer (OCHCO), the Office of Procurement and Assistance Management (OPAM), and the Office of the Chief Financial Officer (OCFO)—work in the program offices would soon grind to a halt.⁶ The challenges and opportunities presented by the Recovery Act only accentuate the need for mission-support organizations that have the department's mission accomplishment as a top priority. This Chapter examines the management of OCHCO, OPAM, and OCFO and offers recommendations to strengthen their ability to work with the rest of department to accomplish its mission. It also discusses the concept of shared service centers and the need for a departmental management analysis capability.

CURRENT ORGANIZATION OF THE HEADQUARTERS MISSION-SUPPORT OFFICES

During the past two decades, the organizational placement of OCHCO, OPAM, and OCFO has fluctuated between reporting to a single focal point for management and reporting to the Deputy Secretary. In the early 1990s, there was an Assistant Secretary for Human Resources and Administration responsible for all three functions. With the passage of the CFO Act of 1990, which legislated that the CFO report to the head of the agency, DOE pulled the CFO out from under the Assistant Secretary. In June 2001, the CFO's office was again realigned with the other major mission-support functions under a single office, the Office of Management, Budget, and Evaluation.⁷ Then in 2005, the three offices, as well as information technology, again split out as separate offices. The CFO and the CHCO report directly to the Deputy Secretary, and the Chief Acquisition Officer and the Director of OPAM report through the Director of the Office of Management. See DOE's organization chart in Figure 2.1 on the next page.

DOE's human capital/human resources (HC/HR), acquisition, and financial management functions are carried out in headquarters and throughout the department's large field structure.

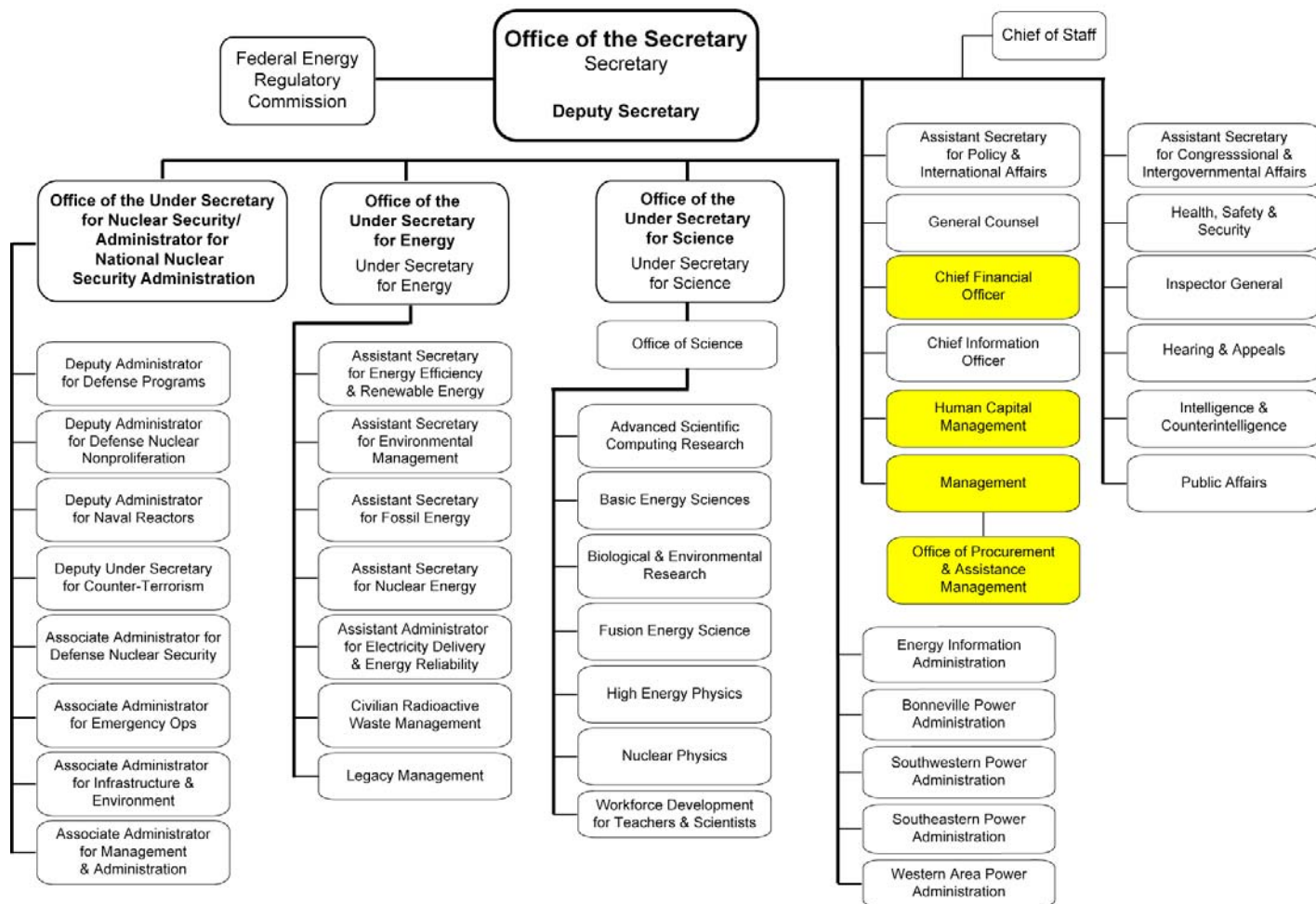
⁶ The fourth major mission-support function, information technology, was not within the scope of this study.

⁷ This office also contained the other offices that now report to the Director, Office of Management.

Similar to most federal headquarters' mission-support organizations, DOE's HR, acquisition, and CFO offices promulgate policies in their respective areas for use throughout the department. These headquarters offices also have oversight responsibilities to ensure that field operations comply with federal and departmental regulations, policies, and guidelines, and provide technical assistance to DOE headquarters and field offices as needed.

DOE's mission-support offices also have significant operational responsibilities. OCFO provides department-wide central accounting and financial management services to DOE, including financial reporting for the department, and financial management support to DOE headquarters program offices. Its Office of Corporate Information Systems also is responsible for designing, developing, operating, and maintaining DOE's Integrated Management Navigation (iManage) program, which integrates department-wide financial, budgetary, procurement,

Figure 2.1
U.S. Department of Energy Organization Chart



personnel, program, and performance information. In OCHCO, the Office of Human Resource Services provides the full range of operational HR support to DOE headquarters offices for their competitive and excepted workforce. It also services the entire department’s political and presidential appointees and all senior executives. OPAM has an operational acquisition office—Headquarters Procurement Services—that provides contracting, financial assistance, personal property management, and other business activities support to DOE’s headquarters program offices. In addition, OPAM’s Acquisition Planning and Liaison Division (APLD) is responsible for the department’s business clearance review process. During this process, which is discussed in depth in Chapter 4, APLD reviews and approves major acquisitions at various stages of their development.

CHALLENGES FACING DOE’S MISSION-SUPPORT OFFICES

STRATEGIC THEME 5

MANAGEMENT EXCELLENCE: Enabling the mission through sound management

*U.S. Department of Energy Strategic
Plan*

As the Academy staff delved into the three functional areas that are the focus of this study, two overarching problems surfaced as they spoke to people throughout the department—the mission-support offices need a stronger mission focus, and there needs to be better integration and coordination among the mission-support offices. Addressing these problems is central to achieving management excellence.

Need for a Stronger Mission Focus

The most common complaint expressed by DOE program offices and field managers was the time it took for the headquarters mission-support offices to process actions. The problems with timeliness, which have existed for several years, were most prominent in the HR area and occurred to a lesser extent in acquisition and financial management. The program offices, which rely on OCHCO for their HR servicing, were very vocal about the lengthy amount of time it takes to hire staff, which has resulted in positions being left vacant for long periods of time as well as the loss of selected applicants who found opportunities elsewhere. Headquarters and field staff also reported that there was a lack of timely responses to inquiries.⁸ OPAM’s business clearance review process was highly criticized for the amount of time it takes as was the budget reprogramming process.⁹

Numerous individuals interviewed translated what they perceive to be a lack of responsiveness by these offices to a lack of mission focus. From lower-level staff to Program Assistant Secretaries, Academy staff consistently heard the common concern that the DOE headquarters mission-support offices are not focused on supporting the mission of the program offices, they

⁸ These issues, as well as other HR issues, are discussed in more detail in Chapter 3.

⁹ These issues are discussed in detail in Chapters 4 and 5, respectively.

are not meeting the department's mission requirements, and they are not driven by customer needs. More specifically, they do not believe that OCHCO, to a large degree, and OPAM, to a somewhat lesser degree, have an appropriate stake in DOE's mission and that those offices lack a sense of urgency in performing their responsibilities.

The Panel believes that the lack of mission focus, manifested in a weak customer service orientation, stems from a lack of executive leadership for DOE's critical mission-support functions. DOE does not have an active focal point for management in the department or any formal systems to assess how well the mission-support offices are meeting the needs of the department and to hold them accountable for doing so.

Need for Better Integration among the Mission-Support Offices

Although the functions and responsibilities of the mission-support offices are separate and distinct from one another, the offices cannot operate in a vacuum. There are areas where their responsibilities overlap and where integration and coordination between the offices are needed to ensure that the department is developing strategies, executing decisions, and solving problems in an effective and efficient manner. The Panel found, however, that while the mission-support offices do communicate with one another, they tend to operate independently of one another, and there is no ongoing mechanism to coordinate the offices' efforts on issues that cut across the department. For example, the Panel has not been able to identify organizational responsibility between OCFO and OCHCO for tracking FTE (full-time equivalent) usage. As another example, the Panel also found that there was no formal forum where OCFO and OCHCO could address ongoing problems they were struggling with concerning the pay of DOE staff that are reservists in the military.

IMPROVING THE MISSION FOCUS AND INTEGRATION OF DOE'S MISSION-SUPPORT OFFICES

To help identify organizational structures or management practices that could result in a greater mission-oriented focus and improved integration and coordination of DOE's mission-support offices, Academy staff conducted benchmarking interviews with the following organizations:

- National Aeronautics and Space Administration (NASA)
- Environmental Protection Agency (EPA)
- State Department
- Department of the Interior
- National Science Foundation (NSF)
- Department of Housing and Urban Development (HUD)
- Department of Homeland Security (DHS)

Staff also reviewed seven publications, including GAO and Academy reports.¹⁰ This research revealed two means of strengthening the management of DOE's mission-support functions:

- creation of an Undersecretary for Management (USM) or Chief Management Officer (CMO) position
- using councils or other ongoing coordination mechanisms

Undersecretary for Management/Chief Management Officer

The State Department and DHS have a USM. At both departments, the mission-support offices set policy and direction and perform operational activities for department headquarters. At the State Department, the USM, one of the department's six Undersecretaries, plays a pivotal role in the overall management of the organization. For major issues affecting the department, the Secretary relies on the USM to pull together all of the Undersecretaries' views to develop a unified position for the Secretary's/Deputy Secretary's consideration. Although there is no formal mechanism that facilitates coordination and collaboration among the mission-support offices at the State Department, the USM requires the offices to coordinate with each other as a matter of practice.

The Homeland Security Act of 2002 originally established the USM position in DHS, and in 2007, P.L. 110-53 designated the USM as the department's "Chief Management Officer and principal advisor to the Secretary on matters related to the management of the Department..." Like the State Department, the USM at DHS plays a critical role in the overall management of the department. According to senior DHS officials, the USM ensures that "good business" is built into achieving the mission. The USM brings a management focus to the senior leadership table and reinforces the need to hold the department's senior leadership accountable for good management. The USM also is actively involved in policy development; bringing to the discussion the realities of how new policies might be implemented from a management perspective. The USM holds regularly scheduled weekly meetings with her direct reports to share information and discuss issues facing the department. All of the current and former DHS officials interviewed believe that the USM position was critical when the department was first

¹⁰ The reports reviewed include:

GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies* (Washington, D.C., November 2007).

GAO, *Defense Business Transformation: Achieving Success Requires a Management Officer to Provide Focus and Sustained Leadership* (Washington, D.C., September 2007).

GAO, *Defense Business Transformation: A Comprehensive Plan, Integrated Efforts, and Sustained Leadership are Needed to Assure Success* (Washington, D.C., November 2006).

GAO, *Sustained Leadership is Critical to Effective Financial and Business Management Transformation* (Washington, D.C., August 2006).

Phillip J. Candreva and Douglas A. Brook, "Transitions in Defense Management Reform: A Review of the Government Accountability Office's Chief Management Officer Recommendation and Comments for the New Administration," *Public Administration Review*, (November/December 2008) 1043-1049.

National Academy of Public Administration: *Moving from Scorekeeper to Strategic Partner: Improving Financial Management in the Federal Government* (Washington, D.C., October 2006).

Allan V. Burman, "The Role of Chief Acquisition Officers: What Should They Be Doing?" Public Administration Program George Mason University; IBM Center for the Business of Government, October 7, 2008.

created and continues to play an important role in the overall management of the department. DHS also has created a career Deputy USM position.

Three of the GAO reports Academy staff reviewed recommend that DoD establish a CMO to lead its business transformation efforts. In those reports, GAO found that at DoD and other agencies embarking on large-scale organizational change initiatives, there is a compelling need to:

1. elevate attention on management issues and transformational change efforts
2. integrate various key management and transformation efforts into a coherent and enterprise-wide approach
3. institutionalize accountability for addressing transformation needs and leading change

Congress embraced GAO's recommendation, and in the 2008 Defense Authorization Act, it designated the Deputy Secretary of Defense as the department's CMO and established a Deputy CMO position. That legislation also required the Secretaries of DoD's military departments to designate their Undersecretaries with primary management responsibility for business operations as CMOs.

Although it does not dismiss the concept of a CMO in DoD, the *Public Administration Review* article,¹¹ raises several concerns about GAO's recommendation. Chief among them is that GAO has no citations from change management organizational behavior literature and no data about the effectiveness of CMOs from other public or private sector organizations.

But GAO is not alone in its endorsement of a USM-type position, even when "major transformation" is not an issue. The 2006 Academy report the staff reviewed¹² examined ways to strengthen financial management in the federal government in the 21st century. In that report, an Academy working group recognizes the need to integrate and mitigate stovepiping in the human resources, acquisition, financial management, and information technology functions. It concludes, "the growing complexity of federal management issues necessitates the establishment of a separate deputy for management (or under secretary), particularly in large federal departments."

In the November 2007 GAO report reviewed for this study, GAO offers the following five criteria to help determine whether a federal agency is a good candidate for having a CMO:

- 1. History of Organizational Performance.** Agencies with longstanding management weaknesses and high-risk operations could be good candidates.

¹¹ Phillip J. Candreva and Douglas A. Brook, "Transitions in Defense Management Reform: A Review of the Government Accountability Office's Chief Management Officer Recommendation and Comments for the New Administration," *Public Administration Review*, (November/December 2008) 1043-1049.

¹² National Academy of Public Administration, *Moving from Scorekeeper to Strategic Partner: Improving Financial Management in the Federal Government* (Washington, D.C., October 2006).

2. **Degree of Organizational Change Needed.** Agencies engaged in major transformation efforts and/or experiencing particularly significant challenges in integrating disparate organizational cultures could be good candidates.
3. **Nature and Complexity of Mission.** Agencies with complex missions should be considered regardless of organizational size.
4. **Organizational Size and Structure.** The size, degree of decentralization, degree of geographic dispersion of personnel and facilities, and the degree of duplication or stovepiped activities should be considered.
5. **Current Leadership Talent and Focus.** The extent of knowledge, experience, and level of focus and attention of senior leadership should be considered.

All of these criteria apply to DOE's current situation.

Better integration and mutual reinforcement of effort—among the mission support offices and between these offices and the program offices—require experienced leadership, management skill, and sustained effort. The same is true of related work among the field sites, especially when, as in the case of DOE, there are major differences in the roles of various sites.

These qualities are equally important with respect to the often difficult problems of headquarters-field arrangements among the disparate DOE programs. Organization and management systems need to be designed in ways that are mutually supportive, not with stovepiped independence. Reengineering designs and actions often need to cut across organization lines.

A departmental Deputy Secretary can almost never steal enough time away from his or her other critical duties to provide the sustained effort required to perform these roles. And the demands on DOE's Deputy Secretary will be even greater given this Administration's increased emphasis on energy. Thus, a position such as a USM can be of enormous help to a large, diverse department like DOE in carrying out its missions effectively. Finally, most Deputy Secretaries are chosen for their expertise in fields other than the highly complex task of federal departmental management. A USM, however, should have a strong track record of managing large and complex organizations to draw upon in carrying out this challenging role. In fact, it is a role that should attract the very best in management talent.

The Use of Councils and Other Ongoing Coordination Mechanisms

DHS uses interoffice groups, such as an information technology investments review group, an acquisition review board, and a joint requirements council, to bring the mission and mission-support offices together to work on issues and develop strategies for meeting the needs of the department. DHS also established a Management Council that includes management representatives from throughout the department. The USM and her offices use that Council to share information on initiatives and to help develop strategies and make decisions on issues affecting the department.

At the State Department, the assistant secretaries for the mission-support areas meet regularly with the chief administrative officers of all of the bureaus to work on issues and share

information. Their offices also are charged with developing programs to improve customer service.

Neither EPA nor Interior has standing meetings of their mission-support organizations. Both reported that those offices meet as needed to coordinate on issues such as acquisition planning, workforce planning, training, and budgeting. Both HUD and NSF reported having regularly scheduled meetings of the mission-support organizations. At HUD, the heads of the four mission-support offices—human resources, acquisition, financial management, and information technology—meet every Monday to discuss issues and coordinate their offices’ efforts. NSF has a senior management roundtable that consists of the agency’s assistant directors, office chiefs, and General Counsel. This internal management group meets monthly to resolve management issues and conflicts.

NASA uses three agency-level councils to govern the agency.

- **The Strategic Management Council** serves as the agency’s senior decision-making body for strategic direction and planning.
- **The Operations Management Council** serves as NASA’s senior decision-making body for institutional plans and implementation strategies. It determines and assesses mission-support requirements to enable the successful accomplishment of NASA’s mission.
- **The Program Management Council** serves as the agency’s senior decision-making body to baseline and assess program/project performance and ensure successful achievement of NASA’s strategic goals.

Governance by council is used by NASA where decisions require a high degree of integration, visibility, and approval. Each of the councils has a distinct charter and responsibilities, and the functional relationships between the three councils are clearly defined. The NASA Administrator or the chairperson appoints the standing members of the councils, and council chairs may appoint additional ad hoc or special members to their councils. Decision-making authority for each council is delegated to the chairperson and may not be further delegated.

The last article Academy staff reviewed, which focused on the role of the Chief Acquisition Officer and how to make that position more effective,¹³ endorses the creation of a formal coordination mechanism for federal mission-support functions. The author recommends that agencies create “Business Councils” that report directly to the agencies’ head. The Deputy Secretary should chair the council and membership should consist of the heads of the four major mission-support offices. Each would have “an equal vote on internal human resources, operational, programmatic and funding issues.” The author believes that this would “help to centralize accountability while breaking down stovepipes at the highest level, placing all key managers on an equal footing.”

¹³ Allan V. Burman, “The Role of Chief Acquisition Officers: What Should They Be Doing?” Public Administration Program George Mason University; IBM Center for the Business of Government, October 7, 2008.

Conclusions and Panel Recommendations—Improving Mission-Support Focus and Integration of DOE’s Mission-Support Offices

The successful accomplishment of DOE’s mission is of critical importance to the Nation. The increased emphasis that the new Administration is placing on energy, as exemplified by the huge influx of funds from the Recovery Act, is putting even greater demands on DOE. For the program offices to be successful, however, DOE needs a well-functioning infrastructure, i.e., mission-support offices that can work with the program offices to provide the necessary support in an effective and efficient manner. DOE’s mission-support organizations must be positioned to handle these challenges.

“DOE does not have an active focal point for management in the department...”

The mission-support offices are the enablers of the DOE mission organizations. The Panel recognizes that the mission-support offices are responsible for ensuring that the department follows all federal laws and regulations and DOE policies in their respective functional areas. And it believes that the offices want to obtain the best staff, execute the most favorable contracts, and provide the needed financial and business management systems for the department. However, the Panel is concerned that not enough attention has been paid to the growing complexity of the mission-support functions and how they impact DOE’s mission accomplishment. Given the number of organizations reporting to the Deputy Secretary, there is, effectively, no one directly managing the mission-support organizations.

The Panel believes that these extraordinary times in our Nation’s history demand that the department revitalize the management of its critical mission-support functions. Now more than ever, accomplishing DOE’s mission must be the mission-support offices’ number one priority; it must be the primary driver for the work they do and how they perform it. The success of these offices should be measured by how well they work with the rest of the organization to achieve DOE’s mission and whether their work is done with the speed and transparency that meets the expectations of the new Administration.

The Panel concludes that DOE’s mission-support offices must take immediate action to revamp the degree and manner in which they work with one another and support the program offices and revitalize the leadership and management of the mission-support offices. The service delivery strategies of the mission-support offices need to be well integrated and reflect a stronger customer-service orientation. The Panel believes that the high-risk nature of the department’s operations, the complexity of its mission, and its organizational size and structure require a management focal point for its mission-support operations and ongoing mechanisms to ensure that the program offices and mission-support offices work together to identify and meet mission-support requirements.

In January 2009, the Panel recommended that DOE create an Undersecretary for Management position. The Panel believes that DOE needs a senior leadership position to set a

coordinated tone and direction for the department's mission-support functions. A USM can provide the leadership and vision to bring greater integration and increased attention to the

“The USM brings a management focus to the senior leadership table and reinforces the need to hold the department’s senior leadership accountable for good management.”

DHS senior official

department's management functions, which are so critical to accomplishing its mission effectively and efficiently. Without this leadership, DOE does not have an infrastructure that facilitates the chiefs of the mission-support functions meeting and vetting issues and coordinating/integrating policy decisions that impact multiple functions. To varying degrees, the mission-support offices also have not had a strong, unified customer service philosophy and there is a

lack of accountability within the mission-support functions. In some cases, servicing problems have continued for several years, process improvement has been piecemeal, and customers of these offices have had no recourse other than to raise concerns to a Deputy Secretary with many other responsibilities. A USM whose primary responsibility is to provide leadership and direction to DOE's mission-support functions can provide a much needed focus to these issues.

Until a USM position is established, the Panel believes that DOE's Deputy Secretary must provide the necessary leadership to these critical management functions, including holding regular meetings with the chiefs of the four major mission-support offices. The Panel thinks that this is a necessary interim measure to help bring greater management attention and focus to DOE's mission-support functions. However, it strongly believes that this is not a viable alternative to a USM position. DOE's Deputy Secretary has too many other responsibilities to dedicate the time required to provide the necessary leadership to these functions. DOE needs to increase its management capacity and effectiveness by establishing a USM position, particularly given the challenges and opportunities that the Administration's new energy initiatives present.

The Panel appreciates that DOE has a new political leadership team that is still not totally in place and, therefore, it is not clear what management capabilities will be at the table. But it also believes that waiting to address DOE's management problems until such time as all senior positions are filled is not a viable option. The situation demands that Secretary Chu move forward to shore up the management deficit within DOE with the same urgency and purpose that he is employing to deal with programmatic issues. While the Panel strongly recommends a USM position, it understands that the Secretary may wish to approach this issue in a different manner. Whatever solution set is developed to create a management focal point within the department, however, it must have as a basic tenet the responsibility and authority to hold the mission-support functions accountable for meeting the needs of their customers.

In addition to building an infrastructure where the mission-support offices are better coordinated among themselves, the Panel believes that these offices need to work more closely with their customers at the most senior levels of the organization. When the mission-support offices develop policies, processes, and systems, they must reflect the strategic direction and requirements of DOE's executive leadership, including senior executives at DOE's site offices. The mission-support offices also need a forum where they can obtain senior leadership support for management issues that impact the entire department. As discussed in Chapter 3, the lack of such a forum has been particularly problematic in the human capital area, where OCHCO has

struggled for many years to develop corporate approaches and obtain department-wide buy-in for important HC/HR initiatives.

To accomplish this, the Panel believes that DOE needs an ongoing, formal forum where the senior leadership of its mission-support offices, program offices, and other appropriate senior headquarters officials and site managers can focus on the overall management of the department, identify the department's mission-support needs, and approve strategies to meet them. **In January 2009, the Panel recommended that DOE create an Operations Management Council, consisting of the leadership of the mission and mission-support organizations and chaired by the Deputy Secretary, whose responsibility it is to determine and assess mission-support requirements that will enable DOE to successfully accomplish its mission.** The Panel believes that DOE should establish this critical governance mechanism as soon as possible to ensure that all of DOE's senior leadership is actively engaged and accountable for the management of the department. In the Deputy Secretary's absence, the Chief of Staff should chair the Council. The Council should meet as needed and attendance should be limited to principals only.

The Operations Management Council would serve as DOE's senior decision-making body for institutional plans and implementation strategies. The Council determines and assesses mission-support requirements to enable the successful accomplishment of the department's mission.	
<i>Purpose</i>	<i>Possible Membership</i>
<ul style="list-style-type: none"> • Set mission-support goals and objectives • Serve as the senior leadership forum for making decisions on institutional issues • Approve major new mission-support initiatives, plans, and requirements • Provide leadership, guidance, and approval of mission-support plans • Establish institutional metrics to measure performance against mission-support objectives • Review progress on institutional initiatives, plans, and programs 	<ul style="list-style-type: none"> • Deputy Secretary—Chair • Chief of Staff—Alternate Chair • Undersecretary for Management • Chief Financial Office • Chief Human Capital Officer • Chief Information Officer • Director, Office of Management • Chief Acquisition Officer/Senior Procurement Executive • Undersecretary for Energy and Assistant Secretaries • Undersecretary for Science and Director for the Office of Science • Other senior headquarters officials and site managers, as appropriate

The Panel also believes that DOE's mission-support offices need a formal, ongoing mechanism to work collaboratively with their functional counterparts in the program offices and site offices. All of DOE's program offices and large site offices have administrative organizations that are

responsible for working with OCHCO, OPAM, and OCFO and ensuring that the mission-support needs of the program/site offices are met. Yet there is no regular meeting of the senior leadership of the mission-support and program/site administrative offices to share ideas, raise concerns, discuss strategies, analyze issues, or resolve problems.

The Panel recommends that DOE create a Mission-Support Council, consisting of the leadership of the mission-support organizations and the mission organizations' administrative organizations and chaired by the Undersecretary for Management to provide a forum where the department's senior administrative officials collaborate on mission-support issues impacting the department.

Until DOE creates a USM position, the Deputy Secretary should chair this Council, which should meet monthly or as otherwise needed.

The Mission-Support Council would be the formal working group of senior mission-support officials and their counterparts in the program offices. The Council coordinates and integrates departmental efforts to implement mission-support policies and initiatives that enable the successful accomplishment of the department's mission.	
<i>Purpose</i>	<i>Possible Membership*</i>
<ul style="list-style-type: none"> • Help develop strategies to implement departmental mission-support goals and objectives • Coordinate and integrate the mission-support requirements of the department • Provide input into policy • Analyze issues and resolves problems • Provide an ongoing forum for communication, issue identification, and the exchange of ideas 	<ul style="list-style-type: none"> • Undersecretary for Management—Chair • Chief Financial Office • Chief Human Capital Officer • Chief Information Officer • Director, Office of Management • Chief Acquisition Officer/Senior Procurement Executive • Science: Deputy Director, Resource Management • EERE: DAS, Business Administration • EM: DAS, Human Capital and Business Services, DAS, Acquisition and Project Management, DAS, Program Planning and Budget • FE: Principal Deputy Assistant Secretary • NE: DAS Corporate Business Operations • OE: Chief Operating Officer • RW: Associate Director for System Operations and External Relations • LM: Director, Office of Business Operations • Site office mission-support officials

*EERE—Office of Energy Efficiency and Renewable Energy

DAS—Deputy Assistant Secretary

EM—Office of Environmental Management

FE—Office of Fossil Energy

NE—Office of Nuclear Energy

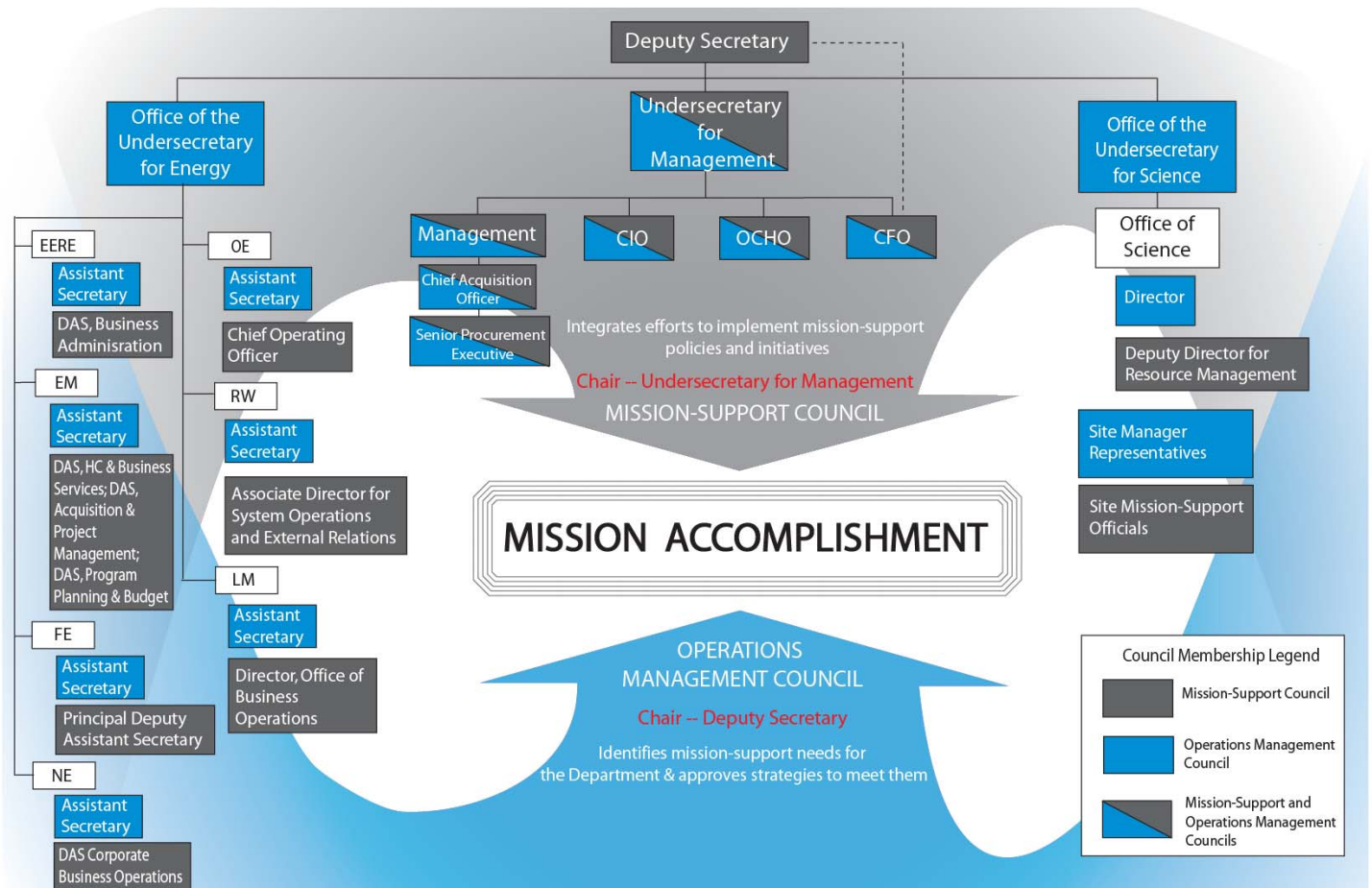
OE—Office of Electricity Delivery and Energy Reliability

RW—Office of Civilian Radioactive Waste Management

LM—Office of Legacy Management

Figure 2.2 depicts the Panel’s recommendations to improve the mission focus and integration of DOE’s mission-support functions.

Figure 2.2
Panel’s Recommendations to Improve Mission Focus and Integration of DOE’s
Mission-Support Functions



The Panel’s recommendations for an Undersecretary for Management, an Operations Management Council, and a Mission-Support Council are designed to create a closer working relationship and a better understanding between the mission-support offices and those they serve. However, the Panel believes that the need for a closer connection between mission and mission-support needs to be developed throughout DOE’s entire workforce.

“We had a new employee (in OPAM) with no idea what we were buying dictating unworkable solutions...”

DOE field procurement office manager

Academy staff heard many concerns expressed throughout DOE about guidance, directives, and decisions coming from the headquarters mission-support offices, with the basic universal appeal being, “understand us, help us.” This problem always will exist to some extent. There always will be different

viewpoints between program and staff offices and between headquarters and the field simply because of where people sit. Except where directly related to the issues being reviewed, the Panel made no attempt during this project to determine whether individual complaints were justified. However, the Panel believes that it points to the need for a greater cross-fertilization of staff between program offices and mission-support offices and between headquarters offices and site offices. The Panel has recommended that OCFO use field offices as a source for recruiting and convert experienced program staff to budget analysts.¹⁴ In acquisition, the Panel has recommended that the headquarters buddies make regular visits to the site offices that they serve.¹⁵ These are good first steps. But the Panel believes that this concept needs to be expanded, with rotational assignments and details being included in the mix. The more the offices understand each other’s responsibilities and how they impact one another, the more they will be able to alleviate some of the natural tensions that exist between them and better accomplish DOE’s mission.

The Panel recommends that as part of its career development program for all career staff that it include rotational assignments, details, and other mechanisms to ensure that staff gain an appropriate and important understanding of DOE’s mission, mission-support, headquarters, and field operations

SHARED SERVICES

As Academy staff benchmarked other agencies, they found that many departments and agencies had adopted the concept of shared service centers for much, if not most of their mission-support transactional activities. This was very common in the human capital and financial management areas where agencies looked to create economies and efficiencies in their operations, reduce transaction costs, and standardize operations. These centers are located in the field, away from the pressures of Washington, D.C. and where there are better opportunities for hiring qualified staff.

The Panel believes that DOE might benefit from adopting a shared service center approach to its mission-support functions. In addition to potential economies and efficiencies, a shared service center might help address the concerns expressed by the leadership of DOE’s mission-support offices about their ability to hire and retain staff in their headquarters organizations. If DOE were to adopt such an approach, it also would help standardize how mission-support transactions are performed throughout the department and help the department achieve its vision of creating “one DOE.”

¹⁴ See Chapter 5.

¹⁵ See Chapter 4.

The Panel recommends that DOE begin to develop a long-term approach for mission-support service delivery throughout the department. As part of that analysis, DOE should examine the pros and cons of a shared service center(s) for its mission-support activities.

This initiative could be an assignment for the management analysis staff, discussed below, that DOE has agreed to establish in the Office of Management.

NEED FOR A DEPARTMENTAL MANAGEMENT ANALYSIS CAPABILITY

During this study, Academy staff identified several management areas where DOE needs to analyze problems and develop solutions. But DOE has no resources dedicated to management analysis at the departmental level. Without this capability, DOE senior leadership is limited in its ability to collect data and analyze options as part of the decision-making process. It must assign such tasks as additional duties to offices or individuals that already have other work for which they are responsible.

A management analysis staff could examine management issues within individual offices and those that cut across the department. It also could provide analysis support to program and staff offices, as appropriate. Possible responsibilities for a management analysis staff include:

- examining the management practices of the program offices
- assisting offices with efforts to reengineer their processes, with special attention to improving accountability and identifying opportunities for simplification of structures and processes
- examining delegations of authority in DOE
- collecting and analyzing periodic customer service surveys for the mission-support offices and other staff offices
- administering and analyzing DOE employee climate surveys in order to take the pulse of the organization and identify issues that need to be addressed
- examining program management in DOE:
 - How do the programs determine their priorities?
 - What is the impact of DOE's budget structure on program management and how it allocates dollars?
- assessing the impact of change management initiatives undertaken by DOE program and staff offices
- performing an analysis of the missions of DOE's national laboratories
- performing management overviews of the labs and examining management best practices
- periodically reviewing how DOE labs manage pensions and benefits, including a review of the labs' policies
- providing support and facilitating the operations of the Operations Management Council, Mission-Support Council, and USM recommended by the Panel

In January 2009, the Panel recommended that DOE create as soon as possible a department-level capability to analyze both administrative and program offices' management, structures, and processes to improve their effectiveness in producing mission outcomes.

DOE agreed with this recommendation. It is considering all the other recommendations in this Chapter.

CHAPTER 3

HUMAN CAPITAL MANAGEMENT

OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

Performance Profile

STRATEGIC VISION

The Office of the Chief Human Capital Officer's (OCHCO's) performance in this category requires major improvement. There is no clear strategic vision that adequately reflects department-wide human resources (HR) and human capital (HC) needs and capabilities or a long-term vision for the role OCHCO must play within the department. HR comprises the operational activities and HC encompasses all of the strategic activities associated with managing the department's workforce. Both are essential for a well-functioning organization.

LEADERSHIP

OCHCO has failed to effectively execute its "seat at the table" with DOE senior leadership or exercise leadership for DOE HC policies and programs. Rather, the leaders of DOE program and staff offices have been compelled to develop their own solutions to their HR/HC problems. In the few instances where OCHCO has developed potential strategic solutions for the department, it did not link the payoff of these approaches with mission needs, gain internal buy-in, or successfully deploy the solutions department-wide.

MISSION AND CUSTOMER SERVICE ORIENTATION

OCHCO has not demonstrated a balance between its regulatory responsibilities and the need to improve services to better support mission objectives. OCHCO has failed to establish strong working relationships with the organizations they service and their customers are consistent in their criticism of the service orientation of OCHCO. OCHCO has performed regulatory reviews of DOE's field human resources offices (HROs) and has expressed some concerns about regulatory sufficiency and capability. But it has not taken proactive measures to identify potential problems and build the capacity of the field HROs, which would enable DOE to deploy more effectively its collective HR resources to meet mission requirements.

TACTICAL IMPLEMENTATION

OCHCO has not aggressively pursued alternatives to acquire and develop the resources needed to address problems with the staffing services it provides headquarters offices. Its program management lacks analytic rigor. And it has no comprehensive automation strategy to address department-wide HR/HC needs.

AGILITY/ADAPTABILITY

OCHCO has not demonstrated the nimble behaviors that would enable it to develop proactive and responsive solutions to mission needs or act with a sense of urgency to address its customers' concerns about service delivery. Its culture reinforces the status quo as opposed to a can-do approach where mission needs are priority one.

“Underlying both issues is a lack of strong leadership. Without it, OCHCO has been unable to effectively fulfill its responsibilities as a key partner and advisor to DOE’s senior leadership.”

Of the three mission-support offices reviewed, by far the most critical problems were found in OCHCO. At the very outset of this study, the Panel identified two major HR/HC challenges that had not been adequately addressed for several years—the lack of a strategic HC vision and problems with the quality of operational staffing services performed by OCHCO’s Office of Human Resource Services, which is referred to throughout this report as the HQ HRO. Underlying both issues is a lack of strong leadership. Without it, OCHCO has been unable to effectively fulfill its responsibilities as a

key partner and advisor to DOE’s senior leadership. At this moment in time, with a new Administration setting new directions for the department, and with the Recovery Act placing extraordinary demands on DOE’s human resources, the problems in OCHCO dictate that DOE take immediate action.

The remainder of this Chapter presents the Panel’s findings, conclusions, and recommendations made to address the issues it found. It also discusses the steps DOE has undertaken to correct identified problems. The far deeper, more serious, and longstanding nature of the issues identified in OCHCO kept the Panel’s focus and its recommendations at a broader leadership and strategic vision level.

“...the problems in OCHCO dictate that DOE take immediate action.”

To help assess DOE’s delivery of its comprehensive HC services, Academy staff used two means of comparative analysis. The first was a comparison of DOE performance in specific HC areas with two assessment instruments designed to help organizations continuously improve their HC management and operations—the Certified Assessment of Human Resources Systems (CAHRS) and the Human Capital Assessment and Accountability Framework (HCAAF) criteria.¹⁶ Appendix 3.1 provides the CAHRS and HCAAF assessment criteria Academy staff used for its analysis. The second means of analysis was benchmarking DOE’s HC performance against three federal HC organizations that were facing challenges similar to those facing DOE—the Department of the Army, the National Aeronautics and Space Administration (NASA), and the Defense Logistics Agency (DLA). In addition, Academy staff benchmarked the Treasury Department’s HR information system implementation in order to gain information on that organization’s deployment of the PeopleSoft/Oracle HR information system, which DOE also uses. Appendix 3.2 provides a summary of the HC benchmarking performed during this study.

¹⁶ The CAHRS standards were developed collaboratively by the University of California and the Academy in 2007. The HCAAF criteria were developed and used by the Office of Personnel Management and the Office of Management and Budget to assess departmental HC capacity to meet the objectives of the prior Administration’s President’s Management Agenda and to provide quality HC strategy and support to federal departments’ leadership, management, and workforce.

HUMAN CAPITAL/HUMAN RESOURCES ENVIRONMENT

As they made their initial inquiries into DOE's HC/HR operations, Academy staff found that:

- There was widespread dissatisfaction with the service HQ HRO was providing for hiring and recruitment actions, including classification.
- HQ HRO service providers also were frustrated by what they saw as barriers to providing good service to their customers.
- OCHCO was struggling to implement a corporate approach to its operational service delivery. It appeared that its concept of a corporate approach focused on centralizing HR operations in the HQ HRO versus utilizing alternative methods, such as in-sourcing to the field, headquarters staff supervision of field operations, and/or outsourcing.
- In the area of HC strategy and program development, there was no evidence that current or past initiatives were developed using a business case analysis or had departmental buy-in.

There were many factors that led to this HC/HR environment in DOE. Some were historically driven, some were complicated by current workload requirements, and others were related to HQ HRO staffing capability. One major factor that set a tone for the HR operational climate in DOE was an Office of Personnel Management (OPM) comprehensive review (FY 2004) that found serious problems with HQ HRO operations, particularly in the staffing area. This caused OCHCO to adopt a regulatory correction/compliance mode of operations that changed the way HR business was conducted in DOE. OCHCO effected corrections, trained staff, and hired new staff with needed skills and as a result, an OPM follow-up review (FY 2007) found significant improvement. However, these changes in processes and the reasons for them were not well communicated to or understood by HQ HRO customers. This lack of adequate communication between OCHCO/HQ HRO and its customers was a concern often voiced by customers.

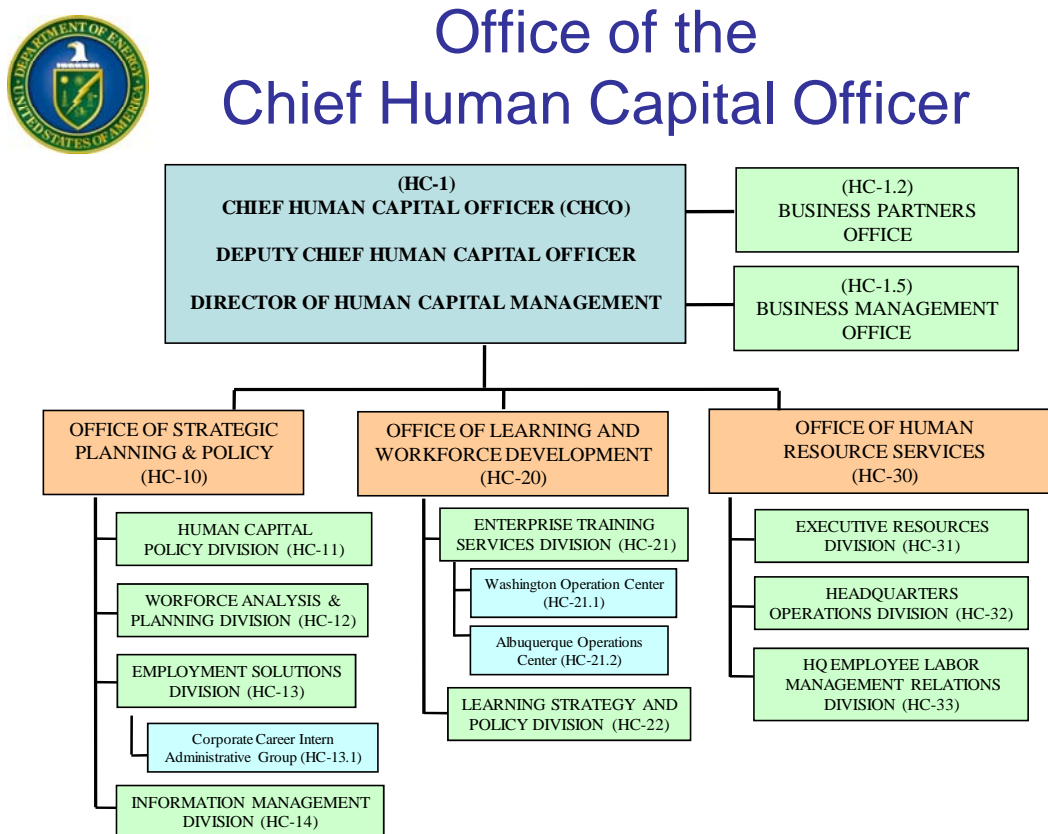
Academy staff listened to the views of both customers and HR service providers and believed that each had legitimate reasons for the frustrations they were expressing. Regardless of who was "right" or "wrong," however, an effective solution had not been achieved, resulting in a customer/provider relationship between OCHCO/HQ HRO and its customers that had severely deteriorated at the time of the Panel's review. In some mission and support areas the relationship had not only deteriorated, but an enormous gulf had been created, as evidenced by line organizations trying to fill what they perceived to be an HR vacuum. As this study was coming to a close, OCHCO had agreed to a pilot program that would allow the Office of the Chief Financial Officer (OCFO) to outsource hiring its critical vacancies to another federal provider, the Bureau of Public Debt.

DOE'S HUMAN CAPITAL SERVICE DELIVERY CONFIGURATION

Headquarters

The Chief Human Capital Officer (CHCO) heads OCHCO.¹⁷ In late 2008, OCHCO reorganized to the structure depicted in Figure 3.1 below. As of January 31, 2009, OCHCO had 160 employees.¹⁸ It plans to have 184 employees on board by September 30, 2009.

Figure 3.1



OCHCO is responsible for providing leadership to DOE on the impact and use of policies, proposals, programs, and bargaining unit relationships related to all aspects of HC management. This responsibility includes leading the department's development of HC management policies, programs, and solutions; and providing direction and administrative oversight of all HC management functions and responsibilities. In addition to these HC program responsibilities, HQ HRO provides program/operational services for the department's executive resources, and

¹⁷ The CHCO left the department in August 2008. The Deputy CHCO has been acting CHCO since that time.

¹⁸ In an effort to obtain better service, several program and staff offices supplemented the HQ HRO with contractor support.

operational HR support for most DOE headquarters organizations.¹⁹ OCHCO has delegated to four of its field HROs (discussed below) HR servicing authority for the following headquarters actions:

- The Office of Science provides its own HR services with the exception of labor and employee relations.
- The National Energy Technology Laboratory (NETL) services the Office of Legacy Management (LM).
- EM’s Consolidated Business Center (EMCBC) provides staffing-related services for EM headquarters.
- The Golden Field Office provides staffing-related services for EERE headquarters.

The EMCBC and Golden delegations are limited, however. HQ HRO must review and approve those actions at multiple points during the process.

**Terms of EMCBC and Golden Field Office
Servicing Assistance Agreements**

- **The field HROs work with their headquarters management to develop the position descriptions, qualification requirements, vacancy announcement, and other documentation necessary to initiate the staffing process.**
- **HQ HRO reviews the documents to ensure consistency with headquarters processes and compliance with union requirements.**
- **The field HROs announce and issue certificates, with the HQ HRO making one last review and signing off on the selections.**

Program Office “Shadow HROs”

Many DOE headquarters program offices have support staff to assist with operational HC servicing operations. At the beginning of FY 2009, Academy staff identified 36 staff (a combination of federal and contractor staff) that worked in these “shadow HROs.” The federal positions are not classified as HR specialists, but they perform HR administrative management functions, such as preparing position descriptions and crediting plans; providing HR advice to supervisors and managers; maintaining HR records; and coordinating the processing of personnel actions with HQ HRO. According to the program offices, these offices were established to:

¹⁹ Appendix 3.3, which was extracted from the DOE Mission and Functions manual, provides a more detailed description of the office’s responsibilities.

- reduce managers/supervisors administrative workload burden
- improve customer service
- respond to program office questions to reduce interruptions to the work being performed in HQ HRO and, therefore, expedite the processing of personnel actions

Because the shadow HROs do not have delegated HR authority, the work they perform is subject to review and approval by OCHCO. This review allows OCHCO to ensure regulatory compliance and gain organizational knowledge of the program offices' operational requirements. However, it also results in some process overlap/duplication between the work performed by the program office staff and OCHCO.

HQ HRO staff expressed concerns that they have lost some direct connection with their management customers because they communicate either with or through the shadow HROs. They believe that this lack of direct contact has lessened their understanding of the mission, goals, work, and HR needs of program offices, thereby reducing their ability to develop the optimum strategies to accomplish supervisors' HR objectives. This, in turn, has led to recruitment/classification rework and delay. Some HQ HRO staff also stated that their inability to provide advice and advisory services directly to DOE managers has marginalized their role and has made their jobs less challenging and satisfying.

Field HROs

In addition to the HQ HRO, 15 field HROs located throughout the country provide HR operational services. The field HROs do not report to the OCHCO organization. They are the assets of the program offices that serve as the landlords at DOE field sites, but generally, the field HRO staff service all DOE site employees regardless of their program office affiliation. For example, at DOE's Oak Ridge Office, the field HRO staff that provide services for all department personnel located at that site are employees of the Office of Science, which is the landlord at Oak Ridge. The HR director reports to the site's Assistant Manager for Administration. Similarly, at the Idaho Operations Office, the field HRO staff, which service all site personnel, are employees of the Office of Nuclear Energy, which is the landlord at that site.

The 15 field HROs have been delegated authority to provide the full range of operational HR services for all non-senior executive service (SES) positions at their sites. Services for SES-level positions require authorization from OCHCO. One marked difference between the field sites Academy staff visited and headquarters is that there are no or few shadow HROs at the field sites, so the field HROs perform that work. As a result, the field HROs work directly with the sites' managers and supervisors to provide advice and support, and they report having a good rapport with management and hiring officials and a good understanding of their customers' missions, priorities, and HR needs.

OPERATIONAL HR SERVICE DELIVERY

When asked if his organization had a sufficient number of staff, one senior DOE official responded, “I do not know because I have never been able to fill all of my vacant positions.”

HQ HRO service delivery was clearly the most serious, ongoing problem that DOE headquarters officials identified. Although some interviewees made positive comments about the HR services they received, particularly with the advice provided by the Labor Management Relations staff, in general, Academy staff heard a wide variety of concerns, including the high degree of HR staff turnover and the loss of knowledgeable support; a lack of reliable metrics; delays and confusion in SES hiring and processing; the inability to consistently get accurate and prompt advisory services; and a bargaining unit agreement that included restrictive and time-consuming processes that needed to be renegotiated. But by far, the most intense frustrations were associated with the lengthy amount of time it took to process hiring actions, and the fact that due to turnover and hiring delays, organizations often were unable to fill their authorized complement of positions.

HQ HRO Staffing Services

The major complaint Academy staff heard about HQ HRO’s staffing services was the amount of time it took to get the action “on the streets” for advertisement and to get a certificate returned for selection. Many DOE program and staff offices perform a significant part of the staffing action pre-work themselves, including drafting the job description, job analysis, and sometimes the vacancy announcement. The individuals interviewed understood that the pre-work would be subject to some HQ HRO review, but many found the review time to be inordinate and oftentimes resulted in little change. A few HQ HRO customers also reported that HQ HRO had lost case files, causing undue delays in staffing actions.

Almost all of the organizations interviewed “kept book” in terms of how long their staffing actions were taking. They believed that it was essential to do this in order to explain to their managers why actions were taking so long. Some of the staff interviewed indicated that oftentimes, when they tried to contact HQ HRO about staffing actions, the HQ HRO staff were frequently unavailable, either because they were in meetings, on leave, on a compressed work schedule, or were busy with other customers. They also noted that, based on their experience, they did not think that they would get responsive action from HQ HRO in terms of expediting their actions unless their upper-level management elevated the issue with a higher level of OCHCO management.

In an effort to obtain better servicing, several program offices provide OCHCO with contractor support. Some offices also asked to have field HROs perform their HR servicing similar to the delegations given to Science, LM, EM, and EERE. OCHCO has not approved these requests.²⁰

OCHCO responded to its customers’ criticisms by pointing out that in many cases, its time-to-hire servicing metrics were better than the field HROs. (See the discussion below on

²⁰ As noted earlier, OCHCO has approved a pilot project for OCFO to outsource its HR servicing.

Performance Standards and Metrics.) OCHCO also indicated that the input it received from its clients often contained errors that had to be corrected before it could execute the requested HR action.

OCHCO leadership reported that the office has made significant progress in hiring new HR staff to fill gaps in its technical expertise, and that the staff is fully aware that customer needs come first and that compressed schedules/days off are to be scheduled around workload requirements. Regarding customers' requests for field HROs to assume headquarters' servicing responsibilities, OCHCO leadership expressed concerns about the readiness of some of HROs to assume these responsibilities from a regulatory compliance perspective. However, OCHCO has not taken any significant, proactive measures, such as developing training courses, performing field assistance visits, and creating developmental opportunities, that would prevent regulatory deficiencies and improve the overall quality of HR servicing throughout the department.

It is the Panel's view that OCHCO's response to its customers' frustrations and concerns with HR servicing and its impact on the department's mission has lacked any sense of urgency. This belies the severity of the problems and reflects an insufficient mission and customer service orientation. This also differs sharply from the guiding principles of the benchmarked agencies, which reported that customer and mission needs are their number one concern. The Panel found that all of the benchmarked agencies had led significant efforts to reconfigure HR service delivery when status quo approaches were not meeting customer needs. As a result of service delivery reconfigurations, both Army and DLA significantly improved their hiring cycle times. Army reduced the cycle time from initiation of the recruit action to employee entrance-on-duty from 100 to 71 days, and DLA reduced its cycle time from 106 to 63 days. DOE's current average end-to-end cycle time is 107 days.

Key Drivers for Reconfiguring HR Service Delivery

- **Army—Engaging managers in their HR tasks in a more logical, efficient, and value-added way, and creating an HR system that is agile enough to be effective while undergoing rapid change**
- **DLA—Fixing HR problems that are impacting mission accomplishment and reconnecting service provider with customers**
- **NASA—Positioning the HC organization to appropriately influence agency decisions by taking ownership of HC; actively participating on the highest agency councils, boards, and project teams; and providing tools and a management framework to enable agency mission success**

HRO Staff Capacity

OCHCO does not have a strategy or policy that addresses what the HR staffing in the DOE HROs should be and is not positioned to optimize the department's HR professionals. When this study began, OCHCO did not even have data available on the number of DOE and contractor staff who were dedicated to operational HR service delivery or the size of the populations they

served. OCHCO assisted the Academy staff with a data call to obtain that information, from which Academy staff computed HR servicing ratios²¹ for DOE's HROs, as shown in Table 3.1.²²

Table 3.1
HROs' Servicing Ratios

DOE Office	Servicing Ratio	Servicing Ratio Range
NNSA: Naval Reactors	1:16	1:10 – 1:19
NE: Idaho Operations Office	1:18	
EM: Savannah River Operations Office	1:24	1:20 – 1:29
Richland/Office of River Protection	1:26	
EERE: Golden Field Office	1:23	
Science: Germantown Office	1:34	1:30 – 1:39
Oakridge Office	1:39	
Chicago Office	1:36	
NNSA Service Center	1:37	
FE: NETL	1:34	
Southwestern Power Administration	1:30	
HQ HRO	1:54*	
Southeastern Power Administration	1:44	1:40 – 1:49
Bonneville Power Administration	1:49	
Western Area Power Administration	1:77	1:70 – 1:79
DOE Inspector General	1:72	

*When adjusted to include the 36 program office resources devoted to HR servicing, the representative HQ HRO servicing ratio is approximately 1:39.

The staffing for most DOE HROs produces a servicing ratio of under 1:45, i.e., a representative HR staff member services 45 or fewer employees. However, the range of the servicing ratios, from 1:16 to 1:72, indicates a staffing imbalance in the department's HROs and suggests that decisions regarding how HROs are staffed are based substantially on local management's priorities and funding availability rather than a comparative workload assessment or departmental requirements.

²¹ The servicing ratio shows the number of HR employees per workforce employees.

²² All of the information from the data call is included in Appendix 3.4.

Benchmarked Agencies Servicing Ratios

- **DLA maintains a servicing ratio of over 1:100.**
- **Army's current servicing ratio is approximately 1:80, but it is examining that ratio to determine if a business case should be made for additional staffing in view of current HR workload requirements (including the war on terror, increasing retirements, introduction of a new personnel system, etc.).**

When the benchmarked agencies were asked if they monitored HR servicing ratios, both DLA and Army indicated they actively monitor servicing ratios as a business management practice and use them as an indicator of workload and efficiency. NASA, by contrast, had not set and was not actively measuring HR ratios, but noted that given the funding environment, future attention might be required in this arena.

Departmental Recruitment Needs

DOE does not track information on vacancy rates throughout the department. OCHCO staff maintain information on FTE and compute periodic on-board strength, but there is no indication that this information was used by OCHCO, OCFO, or other departmental offices as a robust management tool. The Undersecretaries and departmental staff offices each had their own approach to monitoring hiring actions in terms of FTE utilization and budgeted positions, but OCHCO could not produce information on hiring actions versus planned hires.

Given the widely held concerns about the staffing/recruiting function and an overriding need for the department to better understand its HC performance in terms of staffing, Academy staff analyzed this issue in greater detail.²³ Appendix 3.5 summarizes this analysis. It shows that HQ HRO vacancy rates for serviced organizations generally ranged between 17 and 44 percent (21.6 percent on average). By contrast, DOE field organizations serviced by field HROs had vacancy rates that generally ranged between 1 and 21 percent (8 percent on average). Although the Golden HRO had a 20 percent vacancy rate, it should be noted that it has a limited delegation of authority and its work is subject to HQ HRO's review and approval. According to several Golden staff, the HQ HRO reviews often exceeded the promised 24-hour turnaround time; effected changes were not always relayed to the Golden staff, which caused subsequent processing problems; and instructions concerning processes and procedures often were incomplete.

DOE data indicate that it anticipates hiring 1,215 positions between April 2009 and the end of the fiscal year. Based on the HROs' hiring rates in calendar year 2008, Academy staff calculated that DOE can anticipate a hiring gap of 333 positions this fiscal year. Table 3.2, summarizes these results.

²³ OCHCO staff assisted the Academy staff in conducting a data call by asking DOE headquarters and field offices to identify all positions they anticipated filling by the end of the fiscal year, including those generated by the Recovery Act. Given that the data call was conducted in January, DOE organizations may not have yet acquired a full understanding of the legislation's requirements and, as a result, their projected vacancies could be understated.

Table 3.2
FY 2009 Projected Hiring Gap*

DOE Organizational Entity	Calendar Year (CY) 2008 Annual Hiring Rate	CY 2008 Monthly Hiring Rate	Anticipated Vacancies FY '09	Projected Total Hiring (April-Sept. 2009) Using CY '08 Rates	Projected Hiring Gap
Headquarters	904	75	676	450	226
Field	408	34	216	204	12
Power Marketing Administrations	456	38	323	228	95
Totals			1,215	882	333

*Source: OCHCO WDSePAT Report 911, March 2, 2009

It is not known whether DOE's HROs were working at full capacity levels in CY 2008. However, the data would suggest that they are in a good position to meet their additional hiring demands, as may be the Power Marketing Administrations. However, based on the data, HQ HRO will have much greater challenges meeting DOE headquarters' anticipated hiring requirements.

Recruitment and Retention Strategies

In order to attract and retain a highly qualified federal workforce, OPM has authorized HR organizations to use various incentives when recruiting for hard-to-fill positions or positions that require unique skills. Among these are the "3 Rs" (recruitment, retention, and relocation allowance authorities), student loan repayments, and other traditional authorities such as special salary rates, advanced in-hire rates, advances in pay, first-duty station transportation, etc. HQ HRO and all field HROs Academy staff visited use these authorities when needed and authorized by their management, and there was no indication that the availability of funds negatively impacted their use. However, Academy staff found no evidence that OCHCO proactively assessed the usefulness of these options, which is a necessary part of program implementation. Nor had OCHCO developed business cases for requesting other authorities, either from OPM or through legislative action, to better meet the needs of its customers.

Since the Academy's 2006 study of the EM program, Academy staff have heard EM voice its need for additional assistance to hire contracting staff. The competition for experienced contracting officers among federal agencies is high. Yet, only recently (December 2008), has OCHCO indicated its intent to develop a case for direct hiring authority for these positions. This lack of a customer service focus and the agility/adaptability to address customer requirements in a timely fashion have resulted in DOE working at a disadvantage because other departments already have direct hiring authority for those critical positions.

OCHCO also has been slow to implement available staffing techniques. Only recently has HQ HRO begun to use category ranking, which ensures appropriate consideration of veterans' preference requirements while gaining flexibility in developing selection certificates. OPM authorized the use of this technique in 2002.

The benchmarked agencies have been much more proactive in their efforts to improve their recruitment and retention strategies. All of the agencies underscored their responsibility for continually assessing their customers' needs in order to develop and substantiate new internal program solutions and OPM- and legislative-based authorities to better meet recruitment needs. Both the Army and NASA HR staffs indicated that as a result of their data analyses, they had developed business cases that were instrumental in gaining special authorities from OPM and forming the basis for legislative proposals.²⁴

Performance Standards and Metrics

HQ HRO has developed performance standards for numerous HC functions, including staffing. Appendix 3.6 includes the January 2009 version of the HQ HRO standards. However, these performance standards do not apply to the field HROs, and OCHCO has not provided department-wide guidance about HR performance standards/metrics beyond OPM reporting requirements. OCHCO staff indicated that the HQ HRO metrics were developed without any significant benchmarking, as they were an initial effort. They also advised Academy staff that these metrics were shared with customers prior to their issuance. But many of the HQ HRO customers interviewed did not recall having seen or agreeing to the metrics prior to their implementation.

Based on performance data provided by the field, the time it takes HQ HRO to fill positions is comparable to the rest of the HROs, with an average time of approximately 113 days as compared to the DOE-wide average of 107 days.²⁵ This staffing time does not compare favorably to that of the benchmarked agencies (Army reported 71 days and DLA reported 63 days). Many of the HQ HRO customers interviewed questioned the accuracy of HQ HRO's reported performance metrics. But HQ HRO has been adamant in the defense of its metrics and has continued to refine them since this study began.

Senior Executive Service Servicing

Customers' complaints about senior executive servicing were very similar to the problems with staffing, i.e., the time it took to fill positions, lost case files, and in a few instances, HQ HRO missed OPM's mandatory approval deadline and had to restart the action. In addition, several customers reported that their selection determinations often were second-guessed by OCHCO staff prior to sending them to the Executive Resources Board (ERB). Selecting officials thought

²⁴ A list of the benchmarked agencies' special hiring authorities is the last item in Appendix 3.2.

²⁵ Appendix 3.7 provides a calendar year 2008 summary report of the time it takes DOE's HROs to fill positions..

that they had selected the best-qualified candidate, and that the questions being directed to them by OCHCO staff discounted the technical and leadership rationale they had applied.²⁶

Aside from these operational issues, the Panel found a more serious problem with DOE's senior executive service program. In the summer of 2008, at the direction of the then Deputy Secretary, program offices were notified that DOE would fill its remaining SES authorizations, and offices were invited to submit their requests. However, historically OCHCO had not managed DOE's executive-level positions as a departmental asset and it did not perform preparatory work to determine how many new actions could be processed or the relative ranking of existing SES

“How could this position have been approved only last summer and now it’s no longer appropriate to fill?”

DOE senior official

positions. It was only as the number of incoming recruitment requests exceeded available SES authorizations that OCHCO realized it had to place a hold on SES recruitment until a “mini ranking” could be performed. At the conclusion of that effort, OCHCO notified requesting offices of the results and, in some instances, SES positions that had only recently been approved were no longer considered “appropriate to fill” in light of the newly received requests.

OCHCO leadership advised Academy staff that it fully communicated with headquarters offices and the field on this issue, yet many senior DOE officials indicated that they were not fully apprised of the situation. In OCHCO's tactical implementation of the SES recruitment effort, it failed to perform the technical and analytic staff work needed to manage the available executive positions effectively. As a result, DOE offices experienced delays in their senior executive-level recruitment, which in some cases seriously affected their program and mission accomplishment.

While examining this issue, Academy staff learned that DOE's ERB was comprised of one person, the Deputy Secretary. This practice deviates from OPM guidance, which defines the ERB as a *panel* of top agency executives responsible under the law for conducting the merit staffing process for career appointments to SES positions. OPM also advises that most ERBs are responsible for setting policy and overseeing such areas as SES position planning and executive development. Academy staff discussed this variance with OCHCO leadership and pointed out the value of a department-wide perspective on an ERB and the internal communication benefits that would be gained from an ERB comprised of appropriate executives representing DOE's mission and support organizations. OCHCO leadership indicated it was aware of these benefits, but the ERB composition was the approach preferred by the then Deputy Secretary.

CAHRS/HCAAF Analysis²⁷

The CAHRS standards expect an HC organization to have policies and programs that enable it to expeditiously acquire the talent needed to achieve mission goals; define a comprehensive set of standards by which all HR operations can be measured; and demonstrate a culture of continuous

²⁶ OCHCO leadership reported that the questions usually emanated from the then Deputy Secretary, not OCHCO staff.

²⁷ See the Staffing tables in Appendix 3.1 for the applicable CAHRS/HCAAF assessment criteria.

improvement. HCAAF standards require that HC providers fully publicize, exploit, and assess the success of approved hiring authorities. OCHCO's performance in these areas has not met these performance expectations. Many of the HQ HRO customers interviewed had no confidence that staffing policies, procedures, and tactical implementation/operations enable them to recruit qualified/diverse candidates in a timely fashion, consistent with their mission and timeframe needs. And OCHCO has yet to lead an effort to establish department-wide metrics for HR servicing that have the buy-in of customers.

Within the past few months, OCHCO has taken several steps to improve its servicing, in particular, its staffing services. For example, it has focused on diversity in its outreach to candidates; implemented the Hiring Management software;²⁸ established a charter for how DOE reviews executive level actions; created vacancy templates; and initiated more deliberate, scheduled meetings with DOE senior leadership to discuss issues and concerns. But OCHCO must adopt a more aggressive continuous improvement program to meet the performance expectations for staffing envisioned by the CAHRS and HCAAF standards.

Conclusions and Panel Recommendations—Operational HR Service Delivery

This is an exciting time in DOE's history. The new Administration's increased emphasis on energy, coupled with the Recovery Act, has created major new opportunities and challenges for the department. But to embrace these opportunities and overcome the accompanying challenges, DOE must have the right number of staff with the proper skills in the right places. OCHCO plays a pivotal role in DOE's efforts to obtain and retain the talented human capital it needs to perform its mission, particularly for the department's headquarters offices that rely on OCHCO for operational HR services. Thus, the Panel was very troubled to find that OCHCO was not performing successfully any of the key elements found under the five Management Mandates.

Of particular concern to the Panel was the lack of strong leadership within OCHCO. Even before the CHCO's departure in August 2008, OCHCO leadership exhibited limited success in developing partnerships with DOE senior leadership that would bring about strategic HC change in the department, or to lead OCHCO staff in providing results-driven, customer-focused results that supported DOE mission accomplishment. Nowhere is this more evident than in the issues surrounding staffing.

At its October meeting, the Panel voiced strong concerns about the operational problems it found with HQ HRO's service delivery. The Panel specifically underscored that it believed that the quality/timeliness issues relating to staffing had reached the point where HQ HRO's staffing performance was compromising mission accomplishment.

“Of particular concern to the Panel was the lack of strong leadership within OCHCO.”

²⁸ HR professionals use this software to process hiring actions.

“...HQ HRO’s staffing performance was compromising mission accomplishment.”

It concluded that OCHCO needed to take immediate action to address its customers’ concerns with HR servicing, including developing alternative service delivery models for its staffing workload.

In October 2008, the Panel made the following recommendations:

- 1. To better serve and regain the confidence of its customers, OCHCO should develop a Transformation Action Plan (TAP) to address problems within OCHCO’s operations.**
 - a. The TAP should be developed and implemented in phases.
 - Within 45 days, OCHCO should develop and implement a short-term plan for improving customer service that addresses the immediate issues with hiring that are compromising mission accomplishment and the upcoming transition.
 - Within 90 days, OCHCO should develop and begin to implement a long-term plan that will enhance its services and strategic efforts over the next 1-2 years and create a more effective and efficient HC/HR infrastructure for the future.
 - b. The TAP must be driven by an underlying strategy and target model that is derived from DOE’s mission.
- 2. In consultation with its customers, OCHCO should develop alternatives for how its current staffing-related workload for DOE headquarters can be shared among the field HROs.**
 - a. Identifying ways for OCHCO to help DOE better meet its mission must be the focus of this workload-sharing initiative.
 - b. Customer concerns must be addressed and the problems eliminated prior to the arrival of the new Administration’s staff.
 - c. This effort should be included in the short-term TAP.

OCHCO produced a TAP, which it provided to Academy staff in mid-December.²⁹ However, with respect to the most critical problem—staffing services provided to DOE headquarters—the TAP deferred completing the evaluation of its HR servicing arrangements until the 4th quarter of FY 2009. When the Panel met in January 2009, it informed DOE that it was very concerned about the lack of urgency OCHCO showed in its response to the Panel’s recommendations, and that OCHCO’s actions in no way exhibited the aggressive pursuit of improving tactical implementation/operations that the Panel had expected. The Panel reiterated its original recommendation and underscored the need for OCHCO to move quickly to develop alternative service delivery models that used the field HROs to help with headquarters’ staffing workload. It emphasized that the additional demands that the Recovery Act was placing on DOE made it even more imperative that OCHCO take immediate steps to resolve its staffing-related problems.

In February, newly appointed Secretary Chu also came to the Panel’s conclusion that the HQ HRO recruitment process was “broken” and needed to be “repaired.” The Secretary charged the

²⁹ A copy of the latest TAP is included in Appendix 3.8.

Director, Office of Management to lead a staffing study team to develop recommendations by March 16, 2009 that would “fix” the problems. The Director asked that the Academy staff assist in this effort. Academy staff met with the staffing study team³⁰ and provided three alternatives to the current HQ HRO servicing arrangement that altered reporting relationship within OCHCO, strengthened its program evaluation capabilities, and delegated to different degrees authority to field HROs to service DOE’s non-SES workforce.³¹ (See Appendix 3.9 for the Academy staff’s alternative service delivery options.)

The study team focused on the following five areas:

1. workload distribution
2. process improvements
3. enhanced use of technology
4. executive hiring
5. other

The team also identified contributing issues that must be addressed in order to achieve success, including renegotiation of DOE headquarters’ outdated collective bargaining agreement and security requirements to bring new staff on board. The staffing study team drafted an action plan to implement its recommendations, which is still under review by senior DOE officials.

“The additional workload created by the Recovery Act makes it even more urgent for DOE to move quickly to address its staffing problems. It urges Secretary Chu to act on the study team’s proposals as quickly as possible.”

The Academy staff’s analysis of recruitment requirements for this fiscal year shows a recruitment gap of over 300 positions, which is a compelling reason for aggressive and immediate action to rectify the problems that exist in OCHCO’s staffing operations. The additional workload created by the Recovery Act makes it even more urgent for DOE to move quickly to address its staffing problems. It urges Secretary Chu to act on the study team’s proposals as quickly as possible.

The Panel also believes that DOE must have the appropriate infrastructure to manage its senior executive corps. These department officials are instrumental in developing the strategies and leading the organization to accomplish DOE’s mission. The ERB plays a critical role in the management of these resources. DOE’s decision to have the Deputy Secretary serve as the ERB is inconsistent with OPM requirements. The Panel is concerned that this severely limits the ERB’s ability to carry out its responsibilities. With the recent change in Administrations, the Panel believes OCHCO should take a leadership role to ensure that the department’s critical executive resources are optimally managed.

The Panel recommends that OCHCO lead an effort to benchmark executive resource management practices at other federal agencies, including the composition of their Executive Resources Boards; develop strategies to effect more rigorous

³⁰ The staffing study team consisted of a small group of DOE’s leadership with resource management expertise, including two senior OCHCO officials.

³¹ At the Panel’s request, Academy staff developed these alternatives after the January Panel meeting.

executive resource management practices; streamline processes to expedite senior executive hiring; and assume its proper leadership role in this critical area.

Reviewing and approving strategies to revamp the management of DOE's executive resources should be a role of the Operations Management Council recommended in Chapter 2.

STRATEGIC PROGRAM DEVELOPMENT, POLICY SETTING, AND OVERSIGHT

The Panel found that OCHCO leadership was largely consumed with the problems in its HQ HRO service delivery operations. Meanwhile, its strategic, policy, and oversight functions were languishing. This stands in stark contrast to what Academy staff found at the benchmarked agencies, where the strategic planning, policy, and oversight functions are vigorous entities that are organizationally separated from HR operations. The HR officials from the benchmarked agencies reported that the clear separation of operations from policy allowed the CHCO to focus on the future HC requirements of their organizations, provide policy guidance to the HR community, and perform the necessary oversight of HC operations.

NASA—The CHCO is responsible for policy/planning and strategic HC vision agency-wide, but has no supervisory responsibility over day-to-day operational HR services.

DLA—The CHCO-level position has placed all operational staffing/classification and personnel action processing responsibilities into two full-service HR operations located in the field.

Army—A separate organization that is parallel to the HC/HR policy organization is responsible for operational HR service delivery.

Strategic Program Development

When this study began, it was apparent that OCHCO was struggling to implement a corporate approach for some initiatives, including the creation of a DOE intern program that would supplement and provide broader developmental opportunities than the intern programs already being used throughout the department. With the help of a contractor, OCHCO also was developing a workforce planning system. However, there was no evidence that OCHCO used a solid business case analysis or determined the potential return-on-investment before developing these or other initiatives. Nor had OCHCO leadership built internal coalitions or developed processes to determine in advance if initiatives had merit department-wide; gained departmental buy-in for these strategic ideas; identified how they should be funded for success; or established a well-planned and measurable timeline. Rather, OCHCO adopted what Academy staff labeled a “build it and they will come” approach for such efforts, where it hoped a “successful experience” with an initiative would influence other participants to provide funds and participate in it. Without this strategic approach and leadership, new initiatives had uncertain starts and less

certain futures, which raised questions of their usefulness for the department and the worthiness of their return on investment.

The Panel also found that OCHCO lacked a rigorous data analysis program to support evidenced-based decisionmaking and management of HC operations. The following vignettes illustrate this point.

- Early in this study, the Academy staff were told repeatedly that DOE had over 40 different intern programs. Additional probing into the matter revealed that this was incorrect, and that DOE's intern programs were variations of the government's traditional intern/trainee programs—the Career Interns Program, Presidential Management Fellows, the Student Temporary Employment Program, and the Student Career Employment Program. In early December 2008, Academy staff asked OCHCO for a point in time report showing by location the current number of interns in the various DOE intern programs. At first, OCHCO responded that it did not have the necessary data elements within the HR information system to produce such a report. Then, after several iterations, OCHCO provided a report in early January 2009, however, it did not contain the information requested. This lack of analytic capability and/or behavior raises serious questions about the tactical implementation of OCHCO's programs. Without a solid grasp of the types of intern programs being utilized and the capability to produce in a timely fashion data on the number of participants in those programs, DOE cannot effectively manage its intern programs, which are critical to having the right talent in the hiring/succession pipeline.
- DOE's predominant means for managing hiring is by available budget. OCHCO also monitors the department's FTE usage compared to its authorized FTE level. However, it has not done any analysis to determine how well the department in total, headquarters, or field sites were filling their budgeted positions. For most organizations, the collective HR organizations' performance relative to the vacancy rate is a critical measure for both management and the HR organization because it tells them whether hiring execution is meeting mission needs or whether interventions are needed to ensure adequate hiring support. OCHCO's inability or unwillingness to use these data undermines its ability to identify approaches for meeting customers' needs, monitor organizational effectiveness, and lead change that will produce more effective internal operations.
- As noted earlier, OCHCO has done little of the analysis needed to develop a compelling case to acquire additional hiring flexibilities, which illustrates a lack of agility/adaptability and customer service focus required to meet the evolving needs of its customers.

In contrast to DOE, the benchmarked agencies were proficient with data analysis. They used data to develop and monitor metrics and perform special studies to substantiate needed organizational changes/modifications. And they continually sought to improve business processes based on metrics and/or process analysis data.

Army performed extensive Lean 6 Sigma analysis³² of its recruitment/on-boarding processes to drive changes in its service delivery structure/business processes.

NASA uses data from its labor distribution system to assess the level of effort required to perform HR services and to have an objective basis for making needed staffing adjustments.

Army and NASA continually monitor hiring activities/challenges and take the lead to determine if there is a business case for seeking additional hiring flexibilities from OPM or via legislation.

CAHRS/HCAAF Analysis³³

Both CAHRS and HCAAF underscore the HC organization's accountability for the continuous improvement of system-wide HR programs and activities to ensure that they fully support agency mission. The CAHRS standards expect the HC organization's strategic direction and plans to be very clearly linked to the needs of the department, which means departmental buy-in must be attained on the initiatives to be developed and deployed. CAHRS also stipulates that the financial requirements for these initiatives must be effectively communicated to leadership for inclusion in department budgets. OCHCO's performance falls short of these performance expectations.

The Panel also found some major shortcomings in OCHCO's performance compared to key elements in HCAAF, which require that HC strategies be aligned with agency mission, goals, and objectives through analysis, planning, investment, and management of HC programs. Specifically, HCAAF requires establishing a process for including HC activities/investments in the agency's performance plan and budget. It also requires that an HC review team or similar collaborative body comprised of the CHCO and senior leaders and managers from HR, information technology, finance, and mission-specific program areas actually manage HC planning. Finally, HCAAF expects that resources will be identified for prioritized HC initiatives found critical to mission needs. The deliberate and collaborative strategy and program development processes defined within HCAAF are substantially different and more mature than the laissez faire "build it and they will come" approach the Panel found in OCHCO's strategic efforts.

³² Wikipedia defines Six Sigma as a business management strategy, originally developed by Motorola, that enjoys widespread application in many sectors of industry. Six Sigma seeks to identify and remove the causes of defects and errors in manufacturing and business processes.

³³ See the Strategy and Program Development tables in Appendix 3.1 for the assessment criteria used for this analysis.

Succession Planning

Based on data provided by DOE, it was clear that both headquarters and field leadership were well aware of the retirement eligibility of their staffs and other likely attrition factors, and that succession planning was largely the responsibility of each individual organization. Offices have initiated recruitment actions prior to the planned departure of retirees to provide as much time as possible to fill vacancies. In some instances, offices have been able to bring in new staff prior to employees' planned departures, which has helped with the training the new staff and provided continuity.

In addition to using the more traditional intern and leadership development programs available to the department, several offices have created customized programs. Two merit special mention. The Office of Civilian Radioactive Waste Management (OCRWM) has a leadership development program that, along with developing leadership skills, seeks to change the culture of the organization. To accomplish this, they designed their program to include tailored visits to nuclear power plants to help import the plants' knowledge and culture into OCRWM. Fossil Energy's Strategic Petroleum Reserves Project Management Office (SPRPMO) has a program where their employees may submit a Succession Planning Developmental Training Request to receive training for known future or posted vacancies. SPRPMO found that this approach helped prepare onboard staff in advance for upcoming vacancies.

The Panel found no evidence that OCHCO was working proactively with its customers to address their succession planning needs or leading any department-wide efforts in this area. To fill that vacuum, the CFO led an HC planning effort for the financial management community DOE-wide.

The CFO identified the impending retirements of a substantial portion of the most experienced and highly skilled financial management staff throughout the department, and became personally involved in OCFO's recruiting efforts, including making recruiting trips to college campuses and determining how various intern programs would be used.

"We have done so well with our intern programs that we don't view the aging workforce as a problem anymore."

Senior DLA official

Clearly, line managers are responsible for succession planning within their offices. But HC organizations have a key role working with their customers to identify hiring requirements and design solutions for maintaining staff complements with the required skills and expertise to ensure continuity in leadership. Interviews with HC staffs in the benchmarked agencies revealed that their HC organizations

were highly involved in this kind of strategic advisory work.

Policy/Process Guidance and Oversight

Field HRO staffs reported that they regularly called OCHCO for guidance on various policy/process issues. Many called because policy issuances were not current or were still in draft and field staff needed to confirm the appropriate course of action. Many of those

One field HR staff member reported that she had repeatedly sought OCHCO's assistance to resolve a question regarding conflicting OPM and acquisition qualification requirements. Finally, having failed to receive an answer, she just gave up, used her own judgment, and hoped she was right.

interviewed expressed frustration that they often failed to get the information they needed when they needed it, either because of a lack of OCHCO staff responsiveness or capability. Sometimes phone calls would not be returned and repeated callbacks were required. On more than one occasion, the voice mail message left on the telephone was for an OCHCO employee who no longer worked there. Turnover in OCHCO staff also has made it difficult for some field HROs to access knowledgeable advisors in headquarters for any length of time. For some difficult questions, the field never received an answer. As noted

earlier, field HRO staff did have favorable comments regarding the assistance provided in the employee and labor relations area.

As mandated by OPM, OCHCO has a program to periodically review the HROs' performance. However, despite its concerns about regulatory and compliance issues at some of the field HROs, OCHCO's performance evaluation program lacks the robust, data-based focus that would better enable it to determine how well the HROs and their programs are performing and continually improve or restructure programs if needed. Academy staff found that the benchmarked organizations have strong performance evaluation programs that periodically review all HR operations to ensure regulatory compliance and alignment with their organizations' mission and goals.

CAHRS/HCAAF Analysis³⁴

Both CAHRS and HCAAF consider it critical that policy development is timely and responsive to the needs of the agency. They also expect that the communication of HR policies, including verbal explanations when needed, is timely and accurate. Although OCHCO has a policy system, customers too often reported that major events (such as the SES prioritization issue discussed earlier) were communicated by emails and personal phone calls, which often resulted in confusion and mixed interpretations of the facts. The policy development system in OCHCO needs to improve in both its currency and communication to meet the CAHRS and HCAAF standards.

CAHRS and HCAAF also have accountability and program assessment expectations that require HR organizations to assess the operations of their programs and take corrective actions in cases of non-compliance. OCHCO has such a program. But the fact that OCHCO leadership did not have confidence in the field HROs ability to comply with regulations if given expanded authority

³⁴ See the Policy/Process Guidance tables in Appendix 3.1 for the CAHRS/HCAAF assessment criteria used for this analysis.

indicates a serious weakness in OCHCO's ability to ensure that DOE's HR staffs are fully trained and capable of performing assigned work.

Conclusions and Panel Recommendations—Strategic Program Development, Policy Setting, and Oversight

During the course of this study, the Panel has become increasingly concerned about weaknesses in OCHCO's performance with respect to the basic management principles of strategic vision, leadership, mission and customer service orientation, tactical implementation, and agility/adaptability. By its October meeting, the Panel concluded that OCHCO lacked a strategic vision for its operations and questioned whether OCHCO had the capacity to effectively lead the department's HC program or form strong strategic partnerships with DOE's leadership. OCHCO was trying to work more strategically by developing a more corporate approach to DOE's HC management programs and initiatives. But it lacked a formal, ongoing mechanism for working collaboratively with the department's stakeholders to develop department-wide HC strategies.

The Panel deliberated this issue at its October 2008 and January 2009 meetings. **In October, it recommended that DOE immediately establish an HC Governance Board whose charter is to corporately review HC initiatives and strategies and their implementation to ensure that they clearly support the department's mission and goals.**

In response to this recommendation in late December 2008, OCHCO proposed, at the direction of the then Deputy Secretary, to modify and rejuvenate the role of the existing Senior Review Board (SRB), which is comprised principally of the Deputy Secretary and Undersecretaries. The new role of the SRB would include establishing and supervising boards, panels, or study groups to address HC issues. The Panel believed that this charter was much too operational in nature, and that initiating and supervising such efforts were the domain of OCHCO and should not be abdicated to a board. Further, the Panel was concerned that DOE's proposed board composition failed to give program offices adequate input into HC initiatives, as they were not included as members of the Board. The Panel's concerns were communicated to the acting CHCO by letter from the Academy study project director on December 28, 2008.

In January 2009, the Panel modified its original recommendation. The Panel decided that the use of the term "Governance" was inappropriate for the group's charter, and that it should be called a Steering Committee. However, as discussed in Chapter 2, as the Panel continued to deliberate the role of the Committee, it became apparent that such a group was needed for all of the mission-support offices. **The Panel decided that the Operations Management Council, which it recommended in order to increase the focus of all of DOE's senior leadership on the management of the department and to better identify and address DOE's mission-support needs, could provide the necessary corporate review of HC initiatives. The Panel did caveat that if DOE did not create an Operations Management Council, then DOE should create an HR Steering Committee to corporately review HR initiatives and strategies to ensure that they are aligned with the department's mission and goals.**

The Panel also was troubled by the lack of analytic rigor in OCHCO's program management. OCHCO exhibited neither a fundamental curiosity about what data would reveal about its

programs and operations nor demonstrated capability to perform data analyses. Academy staff had to acquire and conduct its own analyses of data on DOE's HR hiring ratios, the composition of its intern programs, and DOE vacancy rates, even though these are critical performance data that OCHCO should have readily available. It is possible that HR information system limitations may have had some impact on OCHO's ability to be more data driven.³⁵ But the Panel concluded that the underlying problem was leadership.

OCHCO remains an inwardly focused, regulation-based, transactional organization. OCHCO leadership has not set a strategic vision for the office that is mission and customer focused. Nor has it demonstrated the agility/adaptability to improve its operations to adapt to the needs of its customers or develop proactive HC solutions. Absent these leadership and management capabilities there is little chance that OCHCO's business practices or culture can evolve in a positive mission-focused direction.

The Panel believes that the department's incoming CHCO must cultivate and implement major changes in OCHCO's culture and how it carries out its roles and responsibilities in order to work in partnership with the mission offices, simplify and streamline its operations, and improve its overall performance. Given the significant increase in mission workload that the department is experiencing as a result of the Recovery Act and other potential energy-based initiatives the Administration may pursue, it is urgent that OCHCO undergo fundamental change. Failure to act may have a profound adverse effect on DOE's ability to fulfill mission requirements.

"The Panel believes that the department's incoming CHCO must cultivate and implement major changes in OCHCO's culture and how it carries out its roles and responsibilities in order to work in partnership with the mission offices and improve its overall performance."

This transformational effort requires that robust data analysis becomes the norm. Absent that, OCHCO is impaired in its ability to ascertain and anticipate customers' HC needs, develop programmatic solutions, and develop viable business cases to gain support for those solutions and the investments that need to be made.

The Panel recommends that OCHCO include within the Transformation Action Plan an initiative to develop a comprehensive inventory of the program-specific data analyses its staff should be doing and the actions that must be taken (including specific training and cultural change efforts) to transform OCHCO into an HR/HC organization that leads rather than simply responds to its customers' HC program and mission needs.

³⁵ Information on the HR information system is included in the next section of this Chapter.

DOE'S HUMAN RESOURCES INFORMATION SYSTEM

The Corporate Human Resource Information System (CHRIS) is the component in the iManage program (DOE's integrated management information program)³⁶ that supports HR information and processing and is the official system of record for employee information. CHRIS is a relational database built around the following software components and systems:

- **PeopleSoft Federal Version 8.8.** This Oracle, web-based, commercial-off-the-shelf system supports the processing of personnel action requests; position management and classification activities; salary administration; performance management; and training administration.
- **Employee Self-Service Module.** This is a web-based, government-off-the-shelf product that allows employees to view payroll, personal, and training information; update personal and payroll information; and complete and submit personal development information.
- **Hiring Management.** This is a publicly available system that is integrated with USAJobs, the government's one-stop clearinghouse for civil service opportunities, where applicants can apply for and track the status of their applications for federal jobs. Hiring Management allows HR professionals to build and post vacancy announcements; process applications; and rate and rank prospective employees.
- **DOEInfo.** This is a repository of employee information that covers a wide range of data, including personnel; payroll; salary and benefits; manpower; and employee locator information.

CHRIS helps OCHCO perform its work more efficiently. But Academy staff found that it serves predominately as a personnel action processor rather than a management tool because DOE is not using important CHRIS functionalities. Most significant among the untapped system capabilities is the personnel action "workflow" feature that would allow HR customers to submit personnel actions electronically to all DOE HROs. This functionality would allow DOE to collect performance metrics that would be meaningful to both the HROs and their customers. CHRIS also has similar workflow capabilities for awards and performance management transactions, but they too have not been used. Included in OCHCO's TAP is an action item to implement CHRIS' workflow functionalities for HR actions, including recruiting. CHRIS is scheduled to be modified to handle all internal actions, e.g., reassignments and promotions during the 3rd quarter FY 2009 and external recruitment actions during the 4th quarter FY 2009.

CHRIS also has position management capability, which if used would provide the department data on the positions that are approved for hire, vacant positions, and the resultant vacancy rate and HRO workload at any given time. Implementing this system capability would address the Panel's prior concern that DOE was not monitoring the collective HR organizations' performance relative to their fill and vacancy rates.

Academy staff found no indication that OCHCO staff had availed themselves of the system vendor's learning and networking opportunities, which could enable them to better utilize the

³⁶ iManage is discussed in Chapter 5.

system and network with other federal users. The lack of awareness of the system’s functionality and the resulting underutilization may have led DOE to purchase redundant systems. During 2008, OCHCO worked with a contractor to develop a workforce planning system. However, CHRIS and/or its vendor upgrades provide a variety of tools, such as competency management and training management programs that may have offered viable alternatives to developing a new workforce planning system. It does not appear that OCHCO fully considered CHRIS’ capabilities to meet its workforce planning needs.³⁷

OCHCO is responsible for determining what functionalities of CHRIS and/or its upgrades would be beneficial to the department and how best to deploy them. In the TAP, OCHCO has included several information technology (IT) initiatives. However, OCHCO has had no overall automation strategy to focus its automation efforts. OCHCO’s recent reorganization assigned its system responsibilities to a new SES-led office—the Office of Strategic Planning and Policy—which has a small staff of functional IT staff members. This office will be charged with spearheading OCHCO’s IT efforts.

Finally, Academy staff found that not all DOE offices use CHRIS, even though it is the official system of record for the department. DOE’s Federal Energy Regulatory Commission and the Bonneville Power Administration have their own HR automated systems. When OCHCO needs workforce-related data for the entire department, it has to extract information from those systems and integrate it with the data CHRIS provides in order to construct a DOE workforce-wide reply. OCHCO advised that having these separate systems was a long-term “political” decision and there were no immediate plans to alter the situation.

Benchmarked Agencies’ Use of Automated Systems

Both Army and DLA use the Defense Civilian Personnel Data System (DCPDS).³⁸ This system processes personnel actions and creates a wide range of reports to support management needs. DCPDS is extensively workflow enabled, which facilitates employee self-service and the geographically remote servicing that exists within DoD. In addition to DCPDS, Army also uses the Civilian Forecasting System to conduct historical analysis and future workforce staffing projections.

Academy staff also conducted a detailed, system-related benchmarking session with the Treasury Department because like DOE, it also uses the PeopleSoft/Oracle product. The staff found that Treasury uses much more of the system’s functionalities than DOE. Workflow products are not only extensively used, but have been customized to meet the needs of several different Treasury bureaus. Treasury uses workflow to accommodate staffing/recruitment transactions and to perform other employee and manager self-service functions, such as awards and performance management. Treasury also developed an extensive position description library, which it found highly useful in supporting managers’ decisions. The Treasury officials interviewed were particularly proud of the staff they had acquired, many from private industry with very competitive skills, to develop their HR information technology strategy/roadmap and oversee the development and deployment of system upgrades. The Treasury Department has been

³⁷ The future deployment of the workforce planning system is now in question.

³⁸ DCPDS is an Oracle system.

designated as one of the HR Line of Business providers, and it is actively seeking agencies that are looking to outsource their system development and operations.³⁹

CAHRS/HCAAF Analysis⁴⁰

The CAHRS success indicators clearly require HR offices to determine their comprehensive infrastructure requirements, which include systems, to ensure effective HR operations. There should be clear HR IT strategies, and the HR office must help the organization's leaders understand how system enhancements will improve HR operations and help achieve mission goals and objectives. HCAAF performance indicators are similar to the CAHRS success indicators. They require the HC organization to develop plans that clearly identify HC goals, objectives, and the investments that are needed to support mission accomplishment. The HCAAF indicators also require HC organizations to monitor their activities and investments, including HR systems, and ensure that they positively impact mission accomplishment.

OCHCO's IT efforts fared poorly against these standards. Only recently has OCHCO begun to identify and prioritize its automation requirements. Some initiatives, such as implementing the workflow capabilities in CHRIS, are as much as 10 years behind many HR offices in counterpart departments and agencies. And DOE leadership typically was not aware of system enhancements that could positively affect how they conducted business.

Conclusions and Panel Recommendations—DOE's Human Resources Information System

OCHCO's deployment of CHRIS has underutilized its potential and underserved OCHCO's and DOE management's needs. As the office responsible for the system's functionality, OCHCO needs to fully understand the system's current capabilities and options for upgrading it, and must exercise strong strategic leadership to ensure that CHRIS' capabilities are fully utilized to better serve the department. The Panel is encouraged that OCHCO has designated its Office of Planning and Policy as the focal point for CHRIS, however, it is concerned about the adequacy of the office's resources in terms of numbers and types of skills.

In January 2009, the Panel recommended that OCHCO:

- **include in the Transformation Action Plan an initiative to develop a comprehensive automation strategy that addresses department-wide HR/HC needs**
- **ensure that the Office of Strategic Planning and Policy is properly staffed to lead the development and execution of a comprehensive HR IT strategy**

³⁹ The HR Line of Business is an initiative that once fully implemented, will enable federal agencies to share HR products and services. It is a market-driven approach where service providers compete for government business by providing the best services and most innovative solutions at the lowest cost. The HRLOB initiative will establish government-wide shared service centers to provide technology solutions to support multiple agencies.

⁴⁰ See the Human Resources Systems table in Appendix 3.1 for the CAHRS/HCAAF assessment criteria used in this analysis.

- **seek advice from Oracle and other system integrators and agencies that have deployed the PeopleSoft/Oracle system on how to fully explore the system's capabilities**

OCHCO has revised the TAP to include an action to develop a comprehensive automation strategy for its operations.

CHAPTER 4

CONTRACTING AND ACQUISITION

OFFICE OF PROCUREMENT AND ASSISTANCE MANAGEMENT

Performance Profile

STRATEGIC VISION

The Office of Procurement Assistance and Management (OPAM) has a clear future vision of its role in developing and disseminating DOE acquisition policy, performing oversight of DOE acquisition operations, and providing acquisition support to DOE headquarters program offices. Its goals with respect to oversight include increasing reliance on procurement management reviews and building the capacity of DOE field procurement offices to independently review their own procurement actions. However, at present there appears to be no immediate strategy for increasing the capacities and capabilities of field procurement offices and for moving away from an oversight model that is heavily reliant upon preaward vetting of procurement documents through the business clearance review (BCR) process.

LEADERSHIP

OPAM's leadership is extremely competent, highly motivated, and dedicated to generating sound acquisition results. To date, their major focus has been on improving the functions that they control directly. It is critical that they turn their attention to leading efforts to improve the capacities and capabilities of the numerous DOE procurement offices that report to other departmental program offices. Also, unlike the CFO, CIO, and CHCO, OPAM does not report directly to the Deputy Secretary.

MISSION AND CUSTOMER SERVICE ORIENTATION

OPAM has a strong customer focus in regards to its policy-making/dissemination responsibilities. Some improvement is needed in service provided to headquarters program office customers. Most important, their well-documented success in adding value to procurements they examine during the BCR process must be balanced by a much greater commitment to meeting DOE mission objectives; eliminating procurement delays; and extending greater flexibility, discretion, and accountability to field procurement offices.

TACTICAL IMPLEMENTATION

OPAM has competent staff and the resources, data, and systems to achieve success with respect to functions they control directly. As noted under Strategic Vision and Leadership, it needs to develop and implement a strategy to improve staff capacities and capabilities of the other DOE procurement offices.

AGILITY/ADAPTABILITY

OPAM has implemented new procedures to respond quickly and effectively to the substantial demands placed upon DOE by the Recovery Act requirements. The same creativity and sense of urgency should be applied to the challenges associated with strengthening the entire DOE acquisition infrastructure.

OPAM is successfully performing many of the elements that comprise the Management Mandates examined during this study. However, there are several critical areas where OPAM is not fully performing those elements. This Chapter discusses OPAM's overall performance and offers recommendations for improvement, including some detailed recommendations for some of OPAM's processes and systems.

OVERVIEW OF DOE CONTRACTING AND ACQUISITION

Acquisition⁴¹ is a core function at DOE. Obligations for acquisition instruments, i.e. contracts, task orders, delivery orders, purchase orders, interagency agreements (IAAs), and modifications, account for most of the department's budget, and contractors effectively supplement DOE's workforce in a significant way.⁴² The additional funds from the Recovery Act that DOE also must manage only enhance the already critical role OPAM plays in accomplishing DOE's mission.

In FY 2008, total DOE procurement and financial assistance obligations were \$27.47 billion. Of that total, 74 percent were awarded to the contractors who operate and manage DOE's major facilities, including 21 national laboratories and technology centers located throughout the United States. An additional 16 percent of DOE obligations were awarded through other acquisition actions, including IAAs. Thus, nearly 90 percent of DOE's obligations were some type of acquisition action; the remaining 10 percent were financial assistance instruments.

DOE HEADQUARTERS ACQUISITION ORGANIZATION

Flow of Procurement Authority

As shown in Figure 4.1 on the following page, DOE contracting authority is delegated from the Secretary of Energy to the DOE Senior Procurement Executive⁴³ (SPE) who also serves as the Director of OPAM. The SPE re-delegates contracting authority to specific DOE management officials who have cognizance over one or more procurement offices. Each of these officials is designated as the Head of Contracting Activity (HCA) and is responsible for making certain acquisition-related decisions that are defined in the Federal Acquisition Regulations (FAR), the Department of Energy Acquisition Regulations (DEAR), or other specific re-delegation of authority from the SPE. Delegations include the authority to award and administer contracts, sales contracts, and financial assistance instruments; exercise overall responsibility for managing the contracting activity; and appoint contracting officers.

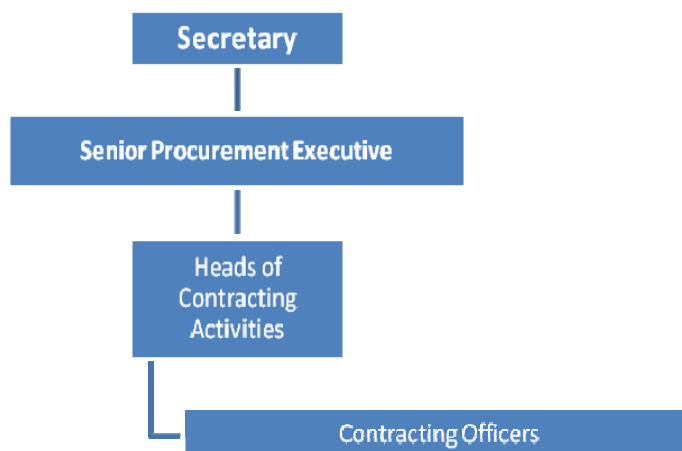
⁴¹ Although the terms are often used interchangeably, "acquisition" is preferred to "procurement" because it refers to all aspects of the process that begins with defining a need and culminates in satisfaction of the need. It also addresses the contribution and responsibility of personnel who do not have legal authority to bind the government but nevertheless play decisive roles in shaping the course of an acquisition.

⁴² DOE's federal workforce is approximately 14,000 and its contractor workforce is approximately 90,000.

⁴³ The DOE Secretary also has delegated contracting authority to the Senior Procurement Executive for NNSA. NNSA acquisition is not included in this study.

DOE Organizations with HCA Authority Delegated by the Senior Procurement Executive	
• Office of Environmental Management	• Office of Civilian Radioactive Waste Management
• Office of Science	
• Office of Headquarters Procurement Services	• Strategic Petroleum Reserve Project Management Office
• Golden Field Office	• Southeastern Power Administration
• National Energy Technology Laboratory	• Southwestern Power Administration
• Idaho Operations Office	• Western Area Power Administration

Figure 4.1
Flow of DOE Contracting Authority



With the exception of the Office of Headquarters Procurement Services (HPS), the DOE HCAs listed above report to program office leadership. The lack of a direct reporting relationship between operational procurement offices and the SPE/headquarters acquisition leadership is fairly common throughout the government. To deal with this, OPAM has established and maintained policies and processes, e.g., control of contracting officer warranting, input into hiring key acquisition positions and performance appraisals, procurement management reviews, and the business clearance process, to help ensure that procurement resources are assigned to and support programmatic objectives and to retain functional accountability for sound acquisition practices. DOE staff interviewed generally believed that policies to ensure functional accountability of the acquisition process were effective. The Panel notes that DOE's existing policies and processes appear to effectively balance support for program objectives with accountability for sound acquisition outcomes.

The Chief Acquisition Officer

The Services Acquisition Reform Act (SARA) legislation requires the head of each executive agency to:

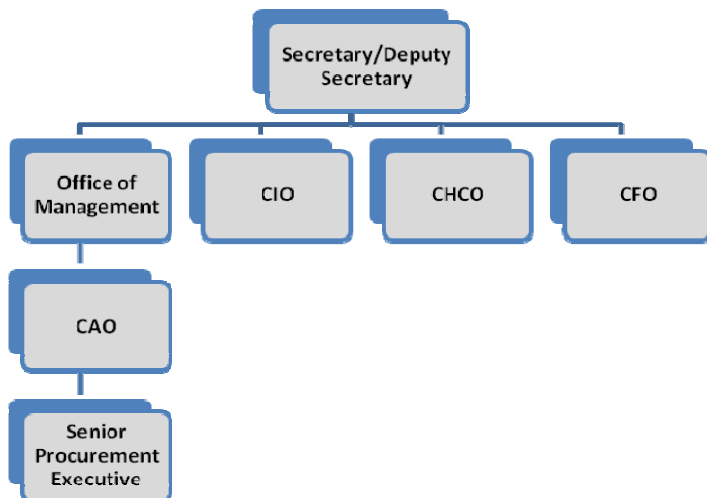
“...designate a senior procurement executive who shall be responsible for management direction of the procurement system of the executive agency, including implementation of the unique procurement policies, regulations, and standards of the executive agency.”

A list of the authorities and functions of the CAO as defined by the SARA are included in Appendix 4.1.

Compared to the other civilian agencies benchmarked during this study—NASA, EPA, State Department, Department of the Interior, and NNSA⁴⁴—DOE is the only one that appointed a Chief Acquisition Officer (CAO) who was both an experienced acquisition professional and performed acquisition responsibilities on a full-time basis.⁴⁵ Also, the DOE SPE reports directly to the CAO,⁴⁶ which is not true of NNSA, NASA, or Interior, and provides significant support to the CAO. However, the DOE CAO is the Deputy Director of the Office of Management and, therefore, reports at a lower organizational level than the CAO's of benchmarked agencies, all of which report to either the department Secretary, agency Administrator, or Assistant Secretary for Administration. Figure 4.2 depicts the reporting relationship of acquisition at DOE compared to the CFO, CHCO, and CIO.

agency Administrator, or Assistant Secretary for Administration. Figure 4.2 depicts the reporting relationship of acquisition at DOE compared to the CFO, CHCO, and CIO.

Figure 4.2
Organizational Level of DOE Senior Mission-Support Officials



⁴⁴ Although NNSA is part of DOE, it is semi-autonomous per the NNSA Act of 2000 and has its own process for disseminating acquisition information.

⁴⁵ The CAO left the department during the transition to the new administration and DOE has not yet filled the position.

⁴⁶ At the start of the study, the CAO and the SPE reported separately to the Director of Management. The direct reporting relationship was established in October 2008 after DOE reviewed materials prepared for the second Panel meeting indicating that the current reporting relationship did not conform to statutory requirements.

Field staff interviewed during this study generally believed that headquarters acquisition officials have appropriate access to the Secretary and senior management. However, while highly complementary of the support provided by the Director of the Office of Management, many senior headquarters acquisition officials said that acquisition should report directly to the Secretary to ensure its seat at the management table.

The Office of Procurement and Assistance Management

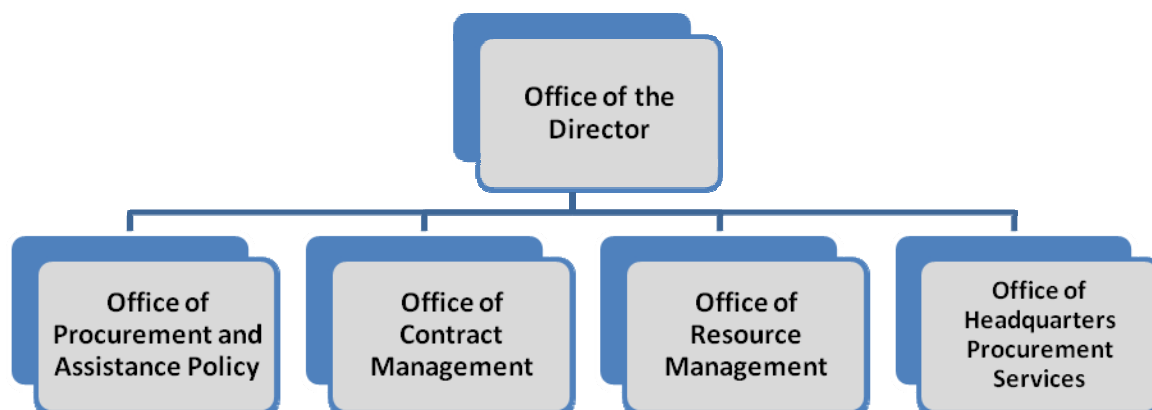
Executive Order 12931, issued in 1994, requires agencies to “designate a Procurement Executive with agency-wide responsibility to oversee development of procurement goals, guidelines and innovation, measure and evaluate procurement office performance against stated goals, enhance career development of the procurement work force and advise the agency heads whether goals are achieved.”

DOE’s Senior Procurement Executive, the Director of OPAM is responsible for:

- supporting execution of the CAO’s statutory responsibilities
- managing DOE’s procurement system
- oversees development of procurement goals, guidelines and innovations
- managing systems to assess the performance of DOE’s procurement offices against performance goals
- providing for career development opportunities for the procurement workforce

The major organizational components of OPAM are shown in Figure 4.3 below.

Figure 4.3
OPAM Organizational Structure



The major functions of the office include:

- developing and maintaining department-wide policies, regulations, guidance standards and procedures pertaining to acquisition; financial assistance; reimbursement of contractors' compensation, pension, and retiree medical benefits costs and liabilities; and personnel property/asset management
- managing the acquisition career development program for DOE's acquisition workforce
- planning, implementing, and overseeing DOE's procurement and financial assistance operations
- providing acquisition and financial assistance support to DOE headquarters offices

Conclusions and Panel Recommendations—DOE Headquarters Acquisition Organization

With a mission that is performed almost entirely by contractors and with more contracting obligations than any other civilian department, DOE is highly dependent on its acquisition function to accomplish its mission. The large influx of money from the Recovery Act only increases the vital role acquisition already plays in DOE's mission accomplishment. The Panel believes that the critical importance of acquisition demands that it have a "seat at the senior management table" in order to ensure that the strategic vision for DOE's acquisition operations fully supports DOE mission accomplishment. However, the Panel was not prepared to mandate an organizational change to achieve that end.

In January 2009, the Panel recommended that the department develop alternatives for ensuring that the acquisition function has adequate access to departmental leadership and fully participates in appropriate aspects of departmental decision-making. The alternatives should be developed in the context of the recommendations for "Organizing for Mission Support" made in Chapter 2.

The department is considering this recommendation in conjunction with other recommendations on DOE's organization structure for its support functions.

Although the SPE reports to the CAO, there is no explicit role for the SPE to discharge CAO responsibilities when the CAO is absent or the position is vacant, which leaves a leadership void. Establishing a Deputy CAO position, filled by a career senior acquisition executive, would ensure the uninterrupted performance of the CAO's responsibilities.

In January 2009, the Panel recommended that the department designate the Director, Office of Procurement and Assistance Management as the Deputy CAO to ensure that a full-time senior acquisition professional is available to perform CAO duties when the CAO is absent or the position is vacant, and to formally recognize the role of the Senior Procurement Executive in supporting CAO goals and objectives.

The department agrees with this recommendation.

OPAM POLICY, GUIDANCE, AND SUPPORT FOR DOE ACQUISITION OFFICES

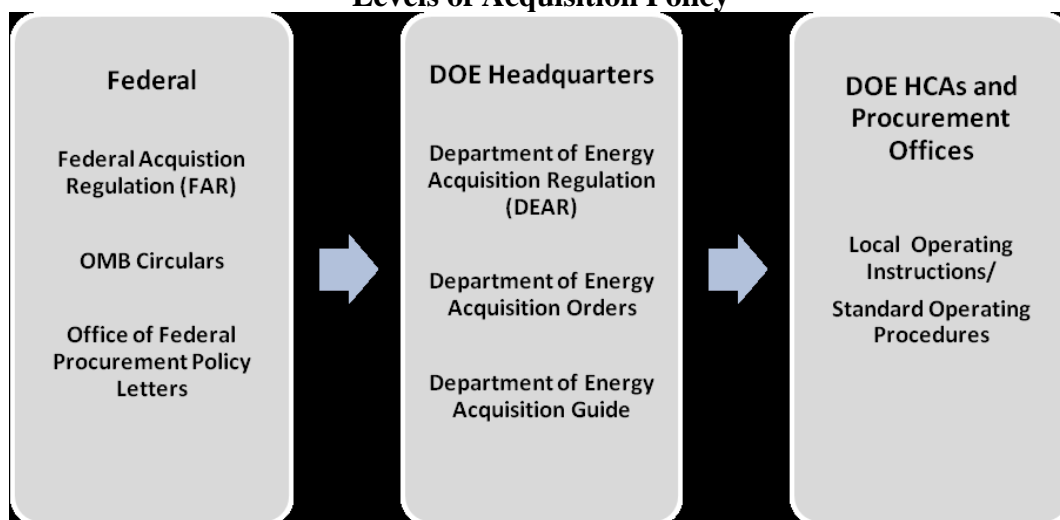
Policy and Guidance

As shown in Figure 4.4 below, there are three primary levels of acquisition policy and guidance with which DOE contracting officials must be familiar.⁴⁷ Federal requirements and guidance apply across the government. For example, the FAR establishes for all executive agency acquisition organizations uniform policies and procedures that are often quite detailed and implement statutory requirements.

The SPE issues additional acquisition policies and guidance that apply across the DOE complex. The DEAR is designed to implement or supplement the FAR. The DOE Acquisition Guide provides additional internal agency guidance, including designations and delegations of authority, assignments of responsibilities, workflow procedures, and internal reporting requirements. It also serves as a repository of DOE acquisition best practices. OPAM's Office of Procurement and Assistance Policy is responsible for ensuring that DOE's acquisition policies are current and complete; contain best practices and templates to promote greater uniformity; and are communicated in a timely fashion.

Many DOE HCAs or procurement offices also issue and maintain local operating instructions or standard operating procedures, which are designed to provide more detailed guidance/instruction to contracting staff on how various aspects of their work should be performed. They also provide guidance on how to implement federal and DOE policies within the local operating environment.

Figure 4.4
Levels of Acquisition Policy



⁴⁷ Similar levels exist for financial assistance policy.

Academy staff found that OPAM's Office of Procurement and Assistance Policy has a strong staff of acquisition professionals, all of whom have previous operational experience and are Level III certified.⁴⁸ Staff members are well represented on FAR teams and inter/intragovernment working groups and constantly review pending legislation, GAO reports, OMB and Office of Federal Procurement Policy (OFPP) policies, and other reports concerning federal government acquisition developments to identify additional policy/guidance requirements to meet the needs of the acquisition workforce. OPAM staff also exhibit a strong customer service orientation in the policy development process. The vast majority of DOE operational acquisition staff interviewed said that OPAM did a good job coordinating the development of DOE acquisition policies with them and that their views were considered and addressed in the final issuances.⁴⁹

The acquisition staff interviewed found OPAM staff (including those outside the Office of Procurement and Assistance Policy) to be accessible, responsive and helpful when contacted on individual acquisition issues. Users of OPAM-issued policy and guidance said that it was helpful and generally up-to-date with some exceptions, e.g., DOE Order 350.1, Contractor Human Resources Management Programs, which was last updated in 1998.⁵⁰ Users also observed that:

- Some revised acquisition letters (ALs) fail to include information from the previous version.
- It would be helpful if OPAM would provide more sample clauses and explain the applicability of certain policy issuances.

In January 2009, the Panel recommended that OPAM assess the status of all existing policy issuances and develop a prioritized schedule for updating them.

OPAM agrees with this recommendation.

Balanced Scorecard Guidance

As part of its performance measurement and management program, OPAM uses a balanced scorecard (BSC) program, where core objectives and performance measures are established for federal and contractor procurement offices, targets are assigned, and annual measurements taken. Guidance for the program is contained in OPAM's *Balanced Scorecard Program Guide for Federal Procurement and Major Site and Facility Management Contractor Purchasing Systems*, issued in January 2005. A review of the BSC Guide found that it requires revision to reflect the reinstitution of procurement management reviews as an additional component of OPAM's

⁴⁸ The Federal Acquisition Certification in Contracting Program was established by OMB memorandum of January 20, 2006. The program establishes education, training, and experience requirements for contracting professionals at the entry (I), intermediate (II) and senior (III) levels.

⁴⁹ An exception to this was one office's reported experience with regard to proposed revisions to the Acquisition Career Management Handbook (specifically on the financial assistance portions). The Handbook was issued without any discussion/resolution of the comments submitted by the office.

⁵⁰ Appendix 4.2 lists the policy and guidance that require updating.

oversight efforts. Procurement management reviews are discussed later in this Chapter in the section on the BCR process.

Annually, as required by the BSC program, OPAM transmits core performance measures to DOE procurement directors. A review of the measures for FY 2009 disclosed that:

- There were no targets for Customer Satisfaction and Effective Service/Partnership. OPAM advised that this is consistent with the current policy, which requires that they be measured only every two years in order to minimize the burden on DOE program and field staff of responding to the rather extensive surveys. DOE procurement offices also can elect to use their own methods to measure customer satisfaction and effective service/partnership efforts.
- The Procurement Action Lead Time (PALT) measure for competitive service awards over \$100,000:
 - does not include measures for major site and facility management contracts
 - establishes a measure of 120 days calculated from receipt of offers without any measure for the initial phases of the procurement
- The PALT measure for Federal Supply Schedule orders requiring a statement of work and request for quotation establishes a measure of 50 days calculated from receipt of quotations without any measure for the initial phases of the ordering process.

The Panel believes that customer satisfaction is a critical indicator of the effectiveness of the contracting function and that OPAM, and not just individual procurement offices, should measure it each year as part of its oversight of acquisition activities throughout the department. OPAM should attempt to reduce the burden of the current survey process or find alternative ways to collect customer feedback. Also, the Panel believes that BSC objectives could be strengthened by more comprehensive PALT standards.

In January 2009, the Panel recommended that OPAM ensure that:

- **balanced scorecard core objectives for customer service are measured every year**
- **PALT standards are developed and measured from receipt of the procurement request to contract award**
- **PALT standards are developed and applied to the award of major site and facility management contracts**

OPAM agrees with the recommendations to strengthen the PALT standards.

OPAM's Knowledge Management Practices

Academy staff conducted benchmarking interviews with senior procurement officials at NNSA, NASA, EPA, State, and Interior concerning their knowledge management practices.⁵¹ They found that EPA, State, and NNSA have established intranets and NASA is developing that capability. DOE has no central intranet, however, some of its procurement offices do, e.g., HPS

⁵¹ Appendix 4.3 contains a detailed summary of those interviews.

and NETL. None of the benchmarked agencies have established “Communities of Practice,”⁵² but some have links to the Defense Acquisition University (DAU) website. At present, none of the agencies have established a blogging/interactive capability. However, State has developed a “help desk” capability to respond to acquisition-related questions.

A review of OPAM’s Internet site indicates that it has more agency-specific acquisition content than those of the other benchmarked agencies. However, OPAM’s knowledge management practices would benefit from developing a department-wide, centralized intranet capability.

In January 2009, the Panel recommended that OPAM develop a centralized intranet capability to:

- **promote greater consistency in acquisition practices by establishing guidance and related templates that could be accessed by procurement staffs and their customers**
- **foster increased communication among procurement staffs and with OPAM**
- **promote increased sharing of best practices and lessons learned**

OPAM agrees with this recommendation.

Acquisition Career Management

“The CAO, or designee, shall appoint an individual with acquisition experience to lead the agency’s acquisition career management program.”

*OFPP Policy Letter 05-01, Developing and Managing the Acquisition Workforce.*⁵³

Through its Policy Letter, OFPP established a government-wide framework for creating a federal acquisition workforce with the skills necessary to deliver best value supplies and services, find the best business solutions, and provide strategic business advice to accomplish agency missions. OPAM’s acquisition career management (ACM) responsibilities for over 400 GS 1102 personnel (213 of whom are warranted contracting officers) are assigned to one individual within the Office of Procurement and Assistance Policy who also has other policy assignments.⁵⁴ By contrast, OPAM’s Office of Resource Management devotes an entire division to contractor human resource management. Although DOE’s Site Acquisition Career Management Council and OPAM’s administration office support the ACM responsibilities,⁵⁵ the Panel questioned the sufficiency of resources devoted to the critical ACM

⁵² A community of practice is a generally accepted method of improving organizational performance by systematic sharing and learning related to subject matters of a common interest. For example, DAU’s Contracting Community of Practice is a repository of guidance and tools designed to promote smart decisions and improved performance within the federal acquisition workforce community.

⁵³ See Appendix 4.4 for a summary of Acquisition Career Management responsibilities.

⁵⁴ The list of FAR/DEAR/CFR Parts Assignments on the Office of Management website: <http://www.management.energy.gov/1571.htm> indicates that the individual is responsible for Contractor Qualifications, Protests, Disputes and Appeals.

⁵⁵ The Site Acquisition Career Management Council, comprised of representatives from each DOE field procurement office, provides “grass roots” direction to DOE’s program by identifying critical skill needs; formulating course delivery schedules and needs; and providing advice and other support to the ACM. OPAM’s administrative staff helps manage the annual training deployment.

function on a day-to-day basis. It also believed that the current organizational placement of the ACM function was inconsistent with the importance of those responsibilities to achieving DOE's acquisition objectives.

In January 2009, the Panel recommended that OPAM elevate the organizational placement of the ACM function and assign sufficient resources to ensure that ACM and acquisition training responsibilities are effectively managed.

OPAM agreed with this recommendation at the January 2009 Panel meeting.

Other Policy Issues

At the initial Panel meeting, specific concerns were raised about DOE policies related to evaluating the past performance of limited liability corporations and competitive sourcing. Academy staff reviewed both areas and found that existing policies were adequate. Appendix 4.5 contains the staff's findings.

OPAM'S BUSINESS CLEARANCE REVIEW PROCESS

OPAM's BCR process is a longstanding, formal process for headquarters review and approval of certain procurement actions (solicitations, contracts, major contract changes, etc.) prior to their issuance or award. BCRs have been a primary mechanism for SPE oversight of DOE acquisition performance. The Acquisition Planning and Liaison Division (APLD) is responsible for managing the BCR process.

Types of Actions Subject to the BCR Process

- **Actions with values exceeding an HCA's delegated authority (currently \$50 million)**
- **Actions that must be approved by a senior DOE official, e.g., the SPE or the Secretary**
- **Actions that, based on the judgment of the HCA and/or SPE, may involve significant litigation or performance risk, or may generate unusual attention from the public, media, Congress, or other government entity**

The BCR process is used for a variety of transactions, including:

- new competitive contracts and competitive task orders
- new non-competitive awards
- contract modifications (except for administrative modifications obligating funds)
- interagency agreements
- subcontracts
- financial assistance

Prior to the beginning of each fiscal year, APLD asks each DOE contracting activity to project for the upcoming fiscal year known or contemplated contract and financial assistance actions that meet the criteria for the BCR process. APLD will then identify specific

actions to be submitted for headquarters review and approval. Contracting activities also are expected to report to the APLD any unanticipated actions that arise during the course of the

fiscal year that exceed the local delegation thresholds. APLD will determine on a case-by-case basis whether any of those actions should be subject to the BCR process.

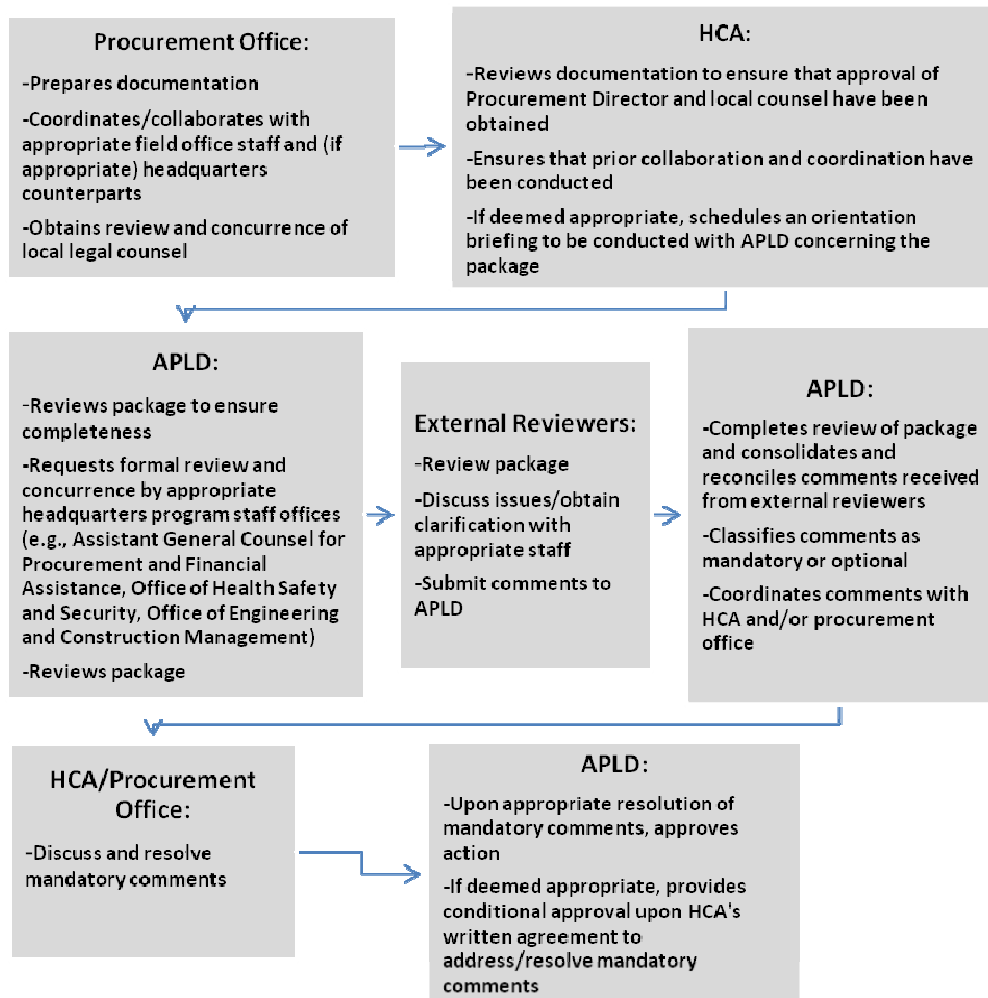
For FY 2009, DOE procurement offices identified 104 actions that were subject to the BCR process. Of those, APLD selected 44 for review (24 new actions and 20 carried over from the previous year), and gave waivers to the actions not selected. Of those selected, about 70 percent of the cases were for preaward actions. Financial assistance comprised 17 of the cases submitted, and 3 were selected for the BCR process. Of the 41 cases selected for review (excluding those from power marketing administration offices, which have lower HCA thresholds), 29 had an estimated value in excess of \$100 million, 6 were under \$100 million, and 6 did not have an estimated value.⁵⁶

For actions selected for the BCR process, APLD notifies the cognizant HCA and procurement director of the scope of the review. For example, a full review requires that all documentation generated during the award process, from acquisition planning through selection and award, be reviewed and approved by headquarters. Under certain circumstances, APLD also may select an action for “limited” review, e.g., review of the solicitation only as opposed to review of both the solicitation and the subsequent award documents. Once APLD receives a document, the target milestone for completing its review and returning it to the procurement office is 10 business days. Actions not selected for the BCR process are deemed to have received a waiver from such review.⁵⁷ The BCR document submission and review process is portrayed in Figure 4.5.

⁵⁶ See Appendix 4.6 for a table of the BCR cases that were submitted and selected for FY 2009.

⁵⁷ DOE Acquisition Guide, Chapter 71.1 (September 2008)

Figure 4.5
Business Clearance Review Process



The process depicted above does not capture the significant, informal coordination and discussions between the procurement/site office staff and the APLD staff person assigned to the site, who is referred to as the “buddy,” that often accompany submission of a business clearance case. Likewise, it does not show the briefings and exploratory sessions OPAM has encouraged and participated in with site procurement office staff to discuss issues and approaches well in advance of the business clearance submission. Nor does it portray the multiple times that APLD might review documents before final approval.

OPAM’s Efforts to Reengineer the Process

During the EM study, a major issue Academy staff examined was the length of time it took to execute EM’s major procurements. In a June 2006 report, GAO found in its review of five DOE contracts that “... delays in obtaining the required review and approval from DOE headquarters officials caused an average 5-month delay in contract award.” Academy staff traced a large part

of the delays in EM procurements to DOE's BCR process. Delays in the process were a constant frustration for EM program and contracting officials. Because many of EM's contracts are in the tens to hundreds of millions of dollars, the relatively low review threshold of \$5 million⁵⁸ compounded the problem for EM. Although the BCR process was not under EM's control, the Academy Panel made recommendations related to the process in an effort to improve EM's working relationship with OPAM and the Office of General Counsel (OGC).

Previous Academy BCR Recommendations

- **EM should work collaboratively with OPAM and the Office of General Counsel to do an engineering analysis of the DOE BCR process to identify the causes for the delays, and reengineer the process to incorporate servicing metrics and the shared commitment among the offices to produce a more efficient, effective, and timely review of EM documents.**
- **The HCA delegation level should be raised to \$100 million, with procurement actions between \$20 million and \$100 million subject to review by the EM HCA.**
- **OPAM should reinstitute acquisition management reviews to improve oversight of procurement office performance.**

Subsequent to the Academy's recommendations, DOE's Office of Management began an effort to reengineer the BCR process, and EM advised that the Panel's recommendations would be addressed as part of that effort. The effort entailed some process mapping, interviews with senior representatives of all the major DOE headquarters program offices, and benchmarking of comparable processes at NASA and the Naval Facilities Engineering Command. However, it did not flowchart the actual practices employed during the BCR process from "cradle to grave" as the basis for its reengineering effort, which the Panel urged.⁵⁹ The reengineering team issued its report⁶⁰ on November 14, 2007. Major recommendations included raising the delegations of procurement authority for competitively negotiated acquisitions to \$50 million for those DOE contracting activities that award and administer major site and facility management contracts (other delegation levels were left intact) and establishing a formal management review function (as recommended by the Academy). In addition, the report contained numerous recommendations that were designed to address delays and inefficiencies in the BCR process.

On June 6, 2008, OPAM announced an increase in the HCA delegation level to \$50 million⁶¹ for all acquisitions, modifications, interagency agreements, subcontracts, and financial assistance.⁶² APLD's annual call for FY 2009 business clearance cases was based on the new thresholds, and

⁵⁸ At the time of the EM study, the BCR threshold was \$5 million. It is now \$50 million.

⁵⁹ During every discussion on the BCR process between the Panel and DOE, the Panel urged DOE to flowchart the acquisition process in order to do a true reengineering analysis. The Panel stressed the need to flowchart the actual practices of all organizations involved in the process, i.e., "cradle to grave," rather than simply charting what the formal process calls for.

⁶⁰ *Report on Reengineering the Business Clearance Process*, prepared by the Acquisition Process Reengineering Team, U.S. Department of Energy, Office of Procurement and Assistance Management

⁶¹ Lower thresholds were established for the Southeastern, Southwestern and Western Area Power Administrations.

⁶² Memorandum from OPAM Director to Heads of Contracting Activities, Subject: Interim Implementation of Amended Head of Contracting Activity Delegation/Business Clearance Review Thresholds

revised procedures were incorporated in the September 2008 revision to Chapter 71.1 of the DOE Acquisition Guide. Principal changes to the process included:

- requiring OPAM staff to collect, reconcile, and consolidate all DOE headquarters review comments, e.g., OGC, APLD management, and headquarters stakeholder organizations (Safety, Security, Engineering and Construction Management, Contractor Human Resource Management) prior to referring them to the contracting officer for resolution
- classifying all comments and recommendations as either mandatory or optional, and identifying the rationale or basis for the comment, e.g., law, regulation, management direction, lessons learned from a prior transaction
- expanding the current practice of approving packages on a conditional basis to the maximum extent practicable, subject to the contracting activity's written agreement to fully implement mandatory review comments. This would not require the contracting activity to resubmit the package for further review.
- developing an electronic business clearance data collection, reporting, and tracking system

In its final report on the EM study issued in December 2008, the Academy Panel supported the changes OPAM had made to improve the BCR process, but expressed concern that OPAM had recommended a \$50 million increase in the HCA authority for competitive procurements rather than the \$100 million that the Panel had recommended, and that thresholds for other than competitive actions remained unchanged.

OPAM Progress in Implementing Reengineering Changes

Since October 1, 2008, APLD has made significant progress in implementing the changes resulting from the reengineering study. Most of the DOE staff interviewed have attested to OPAM's demonstrated willingness to work with field procurement offices to provide timely comments and facilitate their resolution, and its commitment to improve the BCR process. In a number of instances, APLD staff have worked on integrated project teams (IPTs) to foster this spirit of cooperation and better prepare the required documents for formal BCR processing.

Interviews and file reviews indicate that since October 1, 2008, APLD has consolidated comments and characterized them as:

- mandatory—corrective action is required
- discussion—additional information/explanation required to support
- suggestion—an approach to consider to improve the document
- editorial—a suggestion for consideration only

These characterizations are not completely consistent with Chapter 71.1 of the Acquisition Guide, which says that APLD “will classify all comments/recommendations as either mandatory

or optional and will identify, to the extent necessary, the rationale basis.”⁶³ However, most of those interviewed said that the categorizations were helpful and a vast improvement over their past experiences with the BCR process.

The logging and tracking of BCRs still needs to be improved. The tracking system recommended by the reengineering review has not yet been completed, and BCRs are still being tracked on multiple spreadsheets maintained by the APLD buddies. Based on the available data,

<p style="text-align: center;">The Cost of Delays</p> <p>At a minimum, lengthy delays in the competitive process have resulted in:</p> <ul style="list-style-type: none"> • the postponement of work directly associated with a DOE mission • increases in the cost of work to be performed • additional costs and time for DOE and its contractors in resubmitting proposals and reevaluating them <p>Postaward delays are equally troublesome. The timely negotiation of contractors’ requests for equitable adjustments (REAs) result in the contractors’ assumption of much more of the cost risk associated with estimated/target costs and fee implications. Significant delays in processing REAs result in a greater percent of the work being negotiated on the basis of actual costs, as well as the additional costs for DOE and the contractors associated with resubmitting and reevaluating multiple cost proposals.</p>
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Academy staff found that APLD returned the consolidated comments within the target milestone of 10 business days of receipt of the package for most of the actions submitted after October 1, 2008. However, the initial comments usually generated one or more additional submissions of revised documents and responses to the comments that were subject to another 10-day target. There were several examples of conditional approvals. Most occurred after multiple submissions of the documents. There are indications that APLD is concerned about meeting the 10-day target for completing its reviews. But there is no performance metric or formal commitment to achieving agreed-upon procurement milestones.

Field procurement offices also have contributed to delays in BCR processing. OPAM has consistently criticized the quality of the documentation submitted by field components and the BCR delays that stem from those deficiencies. Academy staff also reviewed numerous cases where field procurement offices took an inordinate amount of time to respond to APLD comments. In addition, there were examples of HCAs and field

procurement offices continuing to pursue procurement strategies that APLD had already identified as inconsistent with regulation or policy or objectionable in some other respect.

To obtain feedback about the reengineered BCR process, the Director of OPAM initiated a survey of BCR customers. Preliminary responses (8 in total) were very favorable with regard to the professionalism of APLD staff, their understanding of program/acquisition requirements, and the value added by the review. Ratings were significantly lower for overall adherence to the procurement schedule. Although most of the staff interviewed indicated that the changes to the BCR process were helpful, they said that they were not enough. The changes have not yet produced significant improvements in processing times, and many staff remain frustrated by the “back and forth” aspects of the process and the resulting procurement delays.

⁶³ Acquisition Guide, Chapter 71.1, Section E. 3.c

Those who had experienced a change in their assigned APLD buddy indicated that the new buddy often brought a new set of expectations and preferences concerning the process. Several field acquisition staff commented that their buddies lacked experience and an understanding of what the site was trying to buy. A contracting officer at one site office that had processed multiple competitive procurements through the BCR process over a two-year period observed that no headquarters acquisition person had visited the site that entire time. Several others interviewed also cited examples of “eleventh hour” additional comments provided by OPAM management staff that had to be resolved. In some cases, these comments reversed earlier positions taken by the APLD buddy. Many of these problems could be avoided if there were standard policies, clauses, samples, and templates that promote more consistency across APLD and address the most critical areas of concern within the BCR process. Equally important, however, is a more disciplined process that relies upon experienced, knowledgeable, and empowered APLD buddies and a commitment to processing procurements in a timely manner.

HCA/Procurement Office Review Responsibilities

OPAM clearly envisions a significant role for HCAs and procurement offices in performing reviews of their procurement documents. Chapter 71.1 of the Acquisition Guide contains the following statement:

The HCA and the Director of each procurement office share in the SPE’s responsibility for ensuring the efficacy and integrity of the department’s procurement system. They must maintain appropriately staffed effective policy and internal implementation and oversight processes. These processes must include formal internal independent reviews of procurement actions and related documentation at the local procurement office level.⁶⁴

However, while some DOE procurement offices have this capacity, many do not, and there appears to be no immediate strategy for developing these missing capabilities. The Panel found a clear need for OPAM to lead an effort to develop HCA/procurement office review capacity with a view toward:

- improving the quality of documentation submitted during the BCR process
- providing greater discretion to HCAs/procurement offices to review their own procurement documents
- ensuring that the field has meaningful, cost-effective processes in place for reviewing actions that are not subject to the BCR process

Without these capacities, DOE’s procurement offices are unable to perform the requisite preaward reviews that their more complex actions demand. They also are ill equipped to ensure the quality of their actions that are not subject to the BCR process.

⁶⁴ Acquisition Guide, Chapter 71.1, Section B

Substance of the Reviews

Despite their continuing frustrations with the process, nearly every person interviewed on the subject indicated that BCRs added value. The Academy staff's assessment of APLD comments on documents submitted after October 1, 2008 clearly indicate that APLD reviews were thorough, and they consistently identified substantive issues and instances of noncompliance with regulations or established policy.

However, Academy staff also found several examples where mandatory comments infringed upon the decision-making latitude normally provided to a procurement office or contracting officer. (See box below.) These types of dictated changes and direction unduly abridge the discretion that should be provided the procurement office, and in some cases they undermine the flexibility and independence that contracting officers need to have at the negotiating table. Site contracting staff also cited other examples where APLD noted that some aspect of a document was not "in compliance" without additional details of the nature of the noncompliance.

In response to acquisition plans submitted for competitive procurements, several offices were told that a numerical evaluation rating system was not approved. This is despite language that appears in the DOE Acquisition Guide stating that evaluations "may be conducted using any rating method or combination of methods, including color or adjectival ratings, numerical weights and ordinal rankings." In one case, APLD's disapproval of numerical ratings came only a few months after OPAM and OGC conducted a well-received training course at a site during which numerical ratings were discussed as a fully acceptable alternative.

In BCR mandatory comments regarding proposed pre-negotiation memoranda, contracting officers also have been told the percentage of fee that should be negotiated. The comments were not proposed as suggestions and were not based on a perceived violation of any statutory, regulatory, or policy on fee ceilings.

OPAM has maintained that because BCRs exceed a procurement office's delegated authority, APLD reviews do not abridge local procurement authority. However, the Panel believes that the goals of the BCR process should be to thoroughly examine proposed actions; identify clear cases of non-compliance with regulation and policy; and provide other comments, suggestions and alternatives for consideration by the procurement office. The BCR process should not result in APLD substituting its judgment for that of the procurement office/contracting officer. In the Panel's view, only clear cases of non-compliance should be the subject of mandatory comments. In all other cases, the procurement office should be required to consider APLD input, but have the discretion to make appropriate decisions concerning its use.

Scope of the BCR Process

Raising the HCA threshold to \$50 million for all types of instruments has been favorably received by DOE HCAs and procurement offices. Although its impact on EM has been minimal,

other offices with awards of smaller magnitude have experienced some relief from having their actions subjected to the BCR process, particularly with regard to contract administration actions. At present, OPAM is reluctant to consider additional increases in the HCA thresholds.⁶⁵ However, over 71 percent of the actions⁶⁶ selected for BCR review in FY 2008 exceeded \$100 million. Thus, raising the HCA threshold to \$100 million would appear to have little impact on OPAM's current selection practices.

As noted earlier, the types of transactions that are subject to the BCR process are quite broad. At one end of the spectrum are high dollar value competitive and noncompetitive procurements, which would seem to represent the greatest risk in terms of exposure to protests and outside scrutiny. Financial assistance, interagency agreements, and subcontracts are the other end of the risk spectrum. Of the 44 actions APLD selected for review in FY 2009, only four were financial assistance instruments. No subcontracts or interagency agreements were selected for review.

The scope of the documents reviewed for the BCR process during the course of a competitive procurement can be extensive. APLD often reviews the acquisition plan, draft request for proposal (RFP), the RFP, competitive range determination, Source Evaluation Board (SEB) report, and source selection statement along with other documents, e.g., SEB appointment memoranda and rating plans, associated with the various procurement phases. Submission of all these documents results in numerous interruptions and delays in an already lengthy procurement process. In addition, many of the contracting staff interviewed who have had significant responsibilities at other agencies indicated that they are treated more like clerical staff at DOE, reduced to asking permission from headquarters throughout every stage of the process.

These issues could be addressed in part by limiting the documents reviewed for a competitive procurement to the acquisition plan, draft RFP or RFP (if no draft is issued), the SEB report, and the source selection statement. APLD buddies also could be empowered to work on IPTs and serve as SEB advisors to provide advice, comments, and any necessary coordination with headquarters offices with respect to all of the steps in the procurement process in lieu of actions undergoing a formal BCR.

Role of the Office of General Counsel

The Assistant General Counsel for Procurement and Financial Assistance is responsible for reviewing documents going through the BCR process as well as providing acquisition and financial assistance advice outside of that process. Once OPAM notifies OGC of the actions selected for BCR review as a result of the annual call, attorneys are pre-assigned to the actions and instructed to discuss them in advance with local counsel and the APLD buddy. For the most part, OGC review is focused on competitive procurements. It is rarely asked to look at postaward actions, and financial assistance actions rarely rise to the dollar value requiring review through the BCR process. In general, those interviewed found OGC comments to be very

⁶⁵ A pilot proposal from EM (resulting from an Academy Panel recommendation) to raise the threshold for the EMCBC to \$100 million has been under review since October 2008.

⁶⁶ This percentage is only for non-power marketing administration agencies. The power marketing administrations have lower HCA delegations and, subsequently, lower thresholds for the BCR process.

valuable, and there were no indications of any chronic timeliness issues related to OGC's review of the actions.

EM's BCR Processing

During the Academy's study of EM, EM sought and received approval to establish one HCA in EM headquarters. Thus, when EM procurement offices have actions that are subject to the BCR process, they must process those actions through the EM HCA's office. Prior to this decision, EM procurement offices had HCA authority and dealt directly with OPAM.

Some of the EM field staff interviewed expressed concerns about the additional time it was taking to obtain the concurrence of the EM headquarters HCA prior to submitting the BCR action to OPAM, and that some of the EM headquarters staff lacked familiarity with the issues facing the sites. Likewise, EM headquarters staff expressed concerns about being removed from the discussions that occur between APLD and the field dealing with the reviewers' comments on BCR actions.

Oversight Processes at Other Agencies

A summary of the Academy staff's examination of the principal oversight mechanisms used by the five civilian contracting organizations benchmarked during this study is found in Appendix 4.7. Of the five organizations examined, only NASA and NNSA have an oversight program that involves a substantial review of preaward documents. Both organizations subject similar types of transactions to their preaward review processes. However, their practices appear to be more informal and designed to minimize interruptions to the processing of transactions. EPA has moved much of the preaward review activity to its procurement offices. The Interior and State Department headquarters reviews are basically limited to the SPE reviews required by the FAR. All five of the benchmarked organizations rely heavily upon procurement management reviews to assess the efficiency and effectiveness of their contracting offices' performance.

Academy staff also found other practices used by the benchmarked agencies that DOE might find useful. For example, NASA's process to review and approve acquisition plans includes:

- preparing and presenting slides that address all FAR and DOE plan requirements
- briefing appropriate headquarters staff
- preparing minutes that capture the essence of the discussion and document the changes to be made as a basis for approval

Conclusions and Panel Recommendations—OPAM's Business Clearance Review Process

The headquarters BCR process is managed by a group of highly competent acquisition professionals who strive to ensure that the department's acquisitions are of the highest quality. However, the Panel believes this model of operation is too dependent on a strong headquarters acquisition capability and does not adequately focus on developing the infrastructures of DOE's field procurement offices.

Most of DOE's significant contract activity takes place in the field, and each year, OPAM selects only a limited number of these actions for the BCR process. Therefore, the Panel believes that the field procurement offices need staff fully capable of executing the acquisition and financial management instruments required to meet the missions of the program offices they serve without the safety net of the BCR process. The field procurement offices should be afforded much greater discretion in performing their responsibilities and held accountable for the results. As part of its strategic vision for acquisition operations department-wide, OPAM should be developing and executing strategies to ensure that field procurement offices and other components involved in the acquisition process have the staff, training, processes, and tools to award and administer contracts at the sites. OPAM leadership should engage HCAs and procurement office directors in this capacity-building initiative. OPAM's tactics should include identifying incentives for improving the field's capacity that involve increases in discretion and exemptions/relief from certain BCR formal requirements.

In response to past criticisms about the BCR process, OPAM has implemented several changes to review thresholds and processes. However, significant deficiencies in the BCR process still remain. The Panel believes that major, additional changes are needed to further simplify and streamline the BCR process, address lengthy processing times, and promote greater accountability for obtaining mission results. First, the overall scope of the BCR process should be narrowed. Financial assistance, interagency agreements, and subcontract actions represent relatively low risk compared to competitive and noncompetitive procurements and should be eliminated from the BCR process. Prudent risk management practices would indicate that these types of instruments could be appropriately reviewed at the HCA or procurement office levels. If a particular transaction requires OGC review, it can be obtained without going through the BCR process. Likewise, if OPAM determines that an action poses significant risk, it could still review that action outside of the BCR process.

The Panel also believes that once an HCA has demonstrated to OPAM's satisfaction that it has the necessary internal capacity, it should be delegated authority to execute postaward actions without submitting them to the BCR process. The Panel recognizes that DOE has received significant criticism from GAO, the DOE Inspector General, and others on its postaward administration of construction and environment clean-up projects, and that DOE has identified contract administration as an area needing improvement. However, as a standard practice, OPAM should not be the only entity capable of reviewing these actions. A procurement office with the demonstrated capacity should be able to perform such reviews, and thus free APLD to concentrate on other major procurement actions.

In addition, OPAM should reduce the number of documents required for formal BCR submission during the course of a competitive procurement. APLD buddies should be empowered to provide support to IPTs and SEBs and provide final OPAM comments without having actions undergo the BCR process. But if empowered buddies are to provide effective support to their assigned HCAs and procurement offices, they need to visit those sites on a regular basis to thoroughly understand the work that is being performed and its significance to DOE's mission. Those visits could coincide with the buddies' involvement at key decision points in the IPT/SEB processes. Other changes that should be made to improve the timeliness, effectiveness, and accountability of the BCR process include adopting a more simplified approach to reviewing

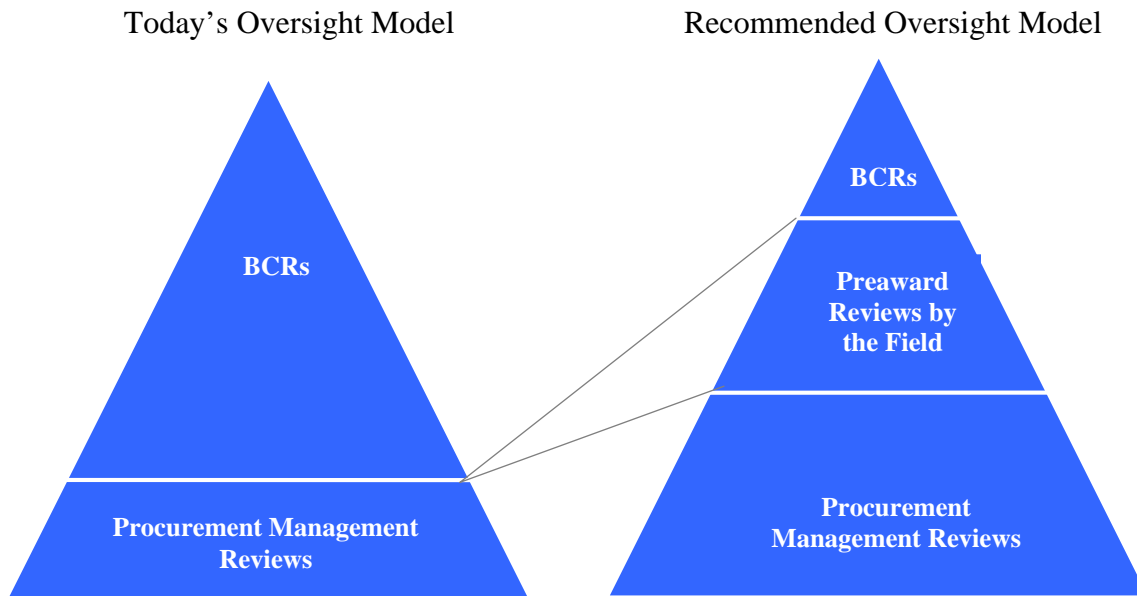
acquisition plans similar to NASA's approach, narrowly defining "mandatory" comments, requiring one set of comments per document with approval granted to proceed subject to addressing the comments, establishing balanced scorecard metrics for BCR processing, and requiring the Director of OPAM to commit to procurement milestones on competitive procurements.

OPAM also should streamline the BCR process by more narrowly defining the term "mandatory comment." Currently, OPAM will make mandatory comments that require procurement offices to adopt approaches that are based on the experiences that the APLD staff have gained from reviewing hundreds of transactions over the course of many years. While there is no denying that the APLD staff's wealth of experience is an asset that OPAM should use to improve DOE's ability to award contracts that will achieve program objectives, the Panel believes that OPAM should develop other mechanism to impart that knowledge throughout DOE's contract community and give the HCAs and contracting officers the authority to determine how the experiences of others can best be applied to their specific circumstances.

Finally, the Panel strongly urges OPAM to work with EM to flowchart the EM BCR process to help uncover the source of the problems with that process. As noted earlier, the Academy Panels on this and the EM studies have urged DOE to flowchart its acquisition process in order to pinpoint the weaknesses causing the processing delays that have plagued DOE's major acquisitions. The Panel believes that flowcharting the actual practices of all participants in the entire EM BCR process will not only enable DOE to uncover quickly the facts and establish accountability for the problems with that process, but the results of that effort may prove valuable in identifying other improvements to the BCR process that could benefit the rest of the department.

The Panel recognizes that OPAM is still responsible for oversight of DOE's contracting operations and that it must have appropriate mechanisms to carry out its responsibilities. OPAM has recently reinstituted an aggressive program of procurement management reviews of its procurement offices. The Panel believes that these reviews, which are a comprehensive assessment of each office's infrastructure, staffing, and processes, should be the foundation of OPAM's acquisition oversight program and play a much larger role. In the recommended model below, the Panel envisions BCRs representing a much smaller and focused portion of DOE's oversight program than in today's model. (See Figure 4.6.) HCAs and field procurement offices would develop the appropriate skills and infrastructure to improve the quality of their actions in general and to review a much larger portion of their actions prior to award.

Figure 4.6
Recommended Business Clearance Review Oversight Model



The Panel believes that aggressive movement toward the recommended model will have the following positive effects:

- improved quality of acquisition actions in general
- reduced procurement lead times
- improved documentation for BCRs
- increased oversight from leveraging independent field review capabilities
- increased accountability, flexibility, and empowerment for HCAs and field procurement offices
- increased focus on a procurement office's infrastructure and overall performance rather than individual transactions

OPAM could use pilots at appropriate locations to test changes to the BCR process. If the pilots are successful, OPAM should expand the change processes to other field procurement offices that have demonstrated the capacity to perform effectively under the new oversight model. Although the Panel envisions a much smaller BCR program, it still plays a valuable role in OPAM's oversight program for transactions that pose the highest risk to DOE. And any formal changes made to the number, scope, and substance of the reviews should in no way impact OPAM's ability to require a BCR for any action despite any new thresholds that are established.

The effectiveness of these proposed changes does not rest solely upon their implementation by OPAM. If the recommended changes are adopted, HCAs and field procurement offices must commit to improving their operational and independent review capacities and accept greater accountability for timely processing of BCRs as well as achieving sound acquisition results in all aspects of their procurement programs.

The Panel recommends that OPAM:

- 1. require HCAs to submit plans for establishing and maintaining internal policy oversight and control, appropriate staffing, and robust processes to perform preaward reviews of major procurement actions as well as to ensure the quality and consistency of all procurements. Upon receipt of each plan, OPAM should work with the HCA to establish conditions for its acceptance and implementation. Once the plan is implemented, the HCA should be exempted immediately from BCRs of postaward contract actions. As it conducts its procurement management reviews, OPAM should assess the effectiveness of the HCA's postaward review process, as well as determine if performance in awarding new contract actions warrants upward or downward adjustments to the HCA preaward review threshold.**
- 2. revise Chapter 71.1 of the Acquisition Guide to eliminate financial assistance instruments, interagency agreements, and subcontract actions from the BCR process, and identify less formal review mechanisms for examining any high-risk transactions that fall into these categories**
- 3. revise Chapter 71.1 of the Acquisition Guide to:**
 - a. narrowly define the term "mandatory comment" to relate to the document's lack of compliance with law, regulation, Comptroller General decisions, or DOE-published policy**
 - b. require that mandatory comments be accompanied by the exact phrasing and/or steps that should be taken to bring the document into compliance**
 - c. require that all mandatory comments be addressed by an appropriate revision to the document**
 - d. require that the HCA/contracting officer provide OPAM with a written rationale for not addressing other comments that are furnished during the BCR review**
 - e. provide one set of comments for each document submitted, with approval granted to proceed with processing the action conditioned upon c. and d. above**
- 4. adopt a more simplified process to review and approve acquisition plans**
- 5. revise the BCR process and accompanying guidance by:**
 - a. limiting the review of documents associated with competitive procurements to the acquisition plan, the draft RFP (or RFP if no draft is issued), the Source Evaluation Board Report, and the source selection statement**
 - b. appointing OPAM buddies as members of IPTs/SEBs who are fully empowered to participate; advise SEB and procurement staff throughout the process; and coordinate as appropriate with OGC and other headquarters offices without formal BCR processing**
- 6. ensure that buddies visit their assigned sites on a regular basis**

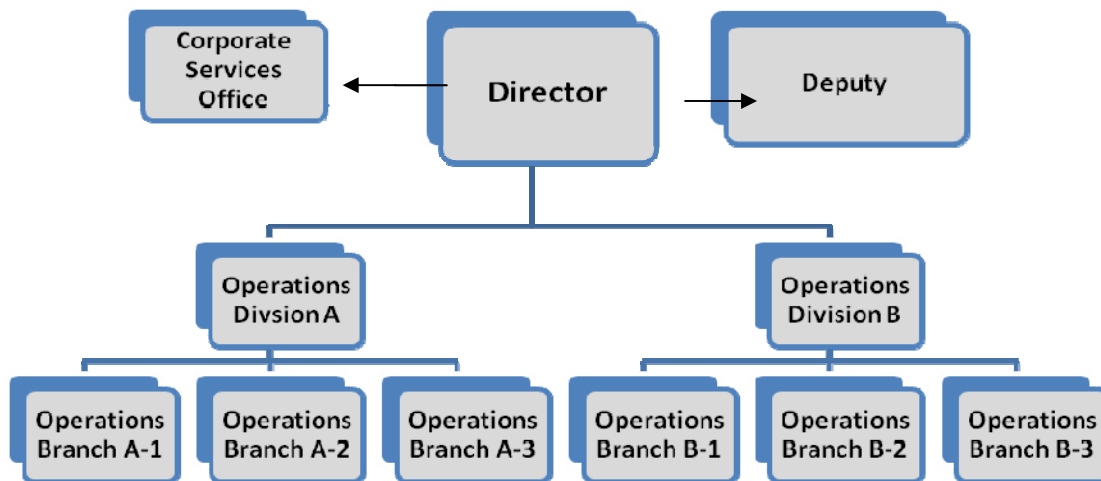
7. develop templates and samples to provide additional guidance to address those issues and concerns that surface most frequently during BCRs
8. accelerate development of a tracking system for formal BCR submissions. In the interim, more stringent procedures should be adopted for logging in and reporting the current status of BCRs.
9. formally commit to the milestones for BCRs that are established for competitive procurements
10. establish balanced scorecard performance metrics for BCR processing and report performance against them on an annual basis
11. initiate pilot programs to test major changes to the BCR process
12. conduct with the EM HCA a joint review of EM's entire process for reviewing, submitting, and managing EM actions subject to the BCR in order to streamline existing processes and eliminate communication problems. Flowcharting the process is strongly recommended.

OPAM is evaluating these recommendations.

CONTRACTING AND ACQUISITION SUPPORT FOR HEADQUARTERS OFFICES

The Office of Headquarters Procurement Services (HPS), depicted in Figure 4.7 on the following page, is responsible for awarding and administering procurement and financial assistance (grants and cooperative agreements) transactions in support of DOE headquarters offices.⁶⁷

Figure 4.7
HPS Organizational Structure



⁶⁷ In October 2008, HPS was reorganized to eliminate one of the operating divisions that had more specialized branches and provide the remaining two division directors with greater flexibility to control assignment of resources and provide staff with broader work experience. The reorganization also created a Deputy Director position (currently vacant), and elevated the status of the Corporate Services Division and assigned it additional acquisition planning responsibilities.

An SES office director who reports to the Director of OPAM heads HPS and is an HCA. The office has 50 government personnel and additional contractor support to assist with IT systems and contract closeouts. The operating divisions award and administer acquisition and financial assistance actions for designated program customers. The divisions' workload for FY 2008 is shown in Table 4.1. The Corporate Services Office (CSO) has a wide range of functions such as competition advocacy, strategic sourcing, acquisition career development, headquarters contract closeouts, small business outreach, and property management.⁶⁸

Table 4.1
HPS FY 2008 Workload

Transaction Type	Number of Actions	\$ Obligated
New Awards:		
Procurement actions	1,059	\$135,250,907
Financial assistance	16	\$7,641,416
Modifications (includes procurement and financial assistance)	1,948	\$696,780,866
Active Agreements Administered		
Procurement actions	1,056	\$2,172,434,395
Financial assistance	114	\$197,267,490

Timeliness and Effectiveness of Support Provided to HPS Customers

After each transaction is awarded, HPS sends its customers a Customer Feedback Questionnaire asking for ratings (on a scale of 1 to 5, with 5 being excellent) on quality of work, timeliness of work, and professionalism of staff. Completed surveys for FY 2008 averaged 4.9 in each of the 3 categories. Academy staff interviewed a representative sample of HPS' customers. Although most of them were aware of the HPS feedback forms, a significant number indicated that they did not complete them.

Academy staff also asked the same sample of customers to rate their HPS service providers on a scale of 1 to 5 (with 5 being excellent) for seven factors. A summary of the survey results is presented in Appendix 4.9. Although all the average ratings are quite respectable, the following areas had lower average rating scores and the rating ranges:

- providing accurate feedback concerning the status of open requisitions
- preparing and issuing solicitation documents in a timely manner
- finalizing and awarding the contract action in a timely manner

⁶⁸ A complete list of CSO's functions is found in Appendix 4.8.

The general customer perception was that HPS was overworked. Although the basis for allocating work among the branches is customer-focused, in some cases a headquarters customer is serviced by more than one branch. Customers reported varying levels of service, depending on the service provider.

Acquisition Planning, Performance Measurement, and Staffing

Although individual acquisition plans are established for major procurement transactions, in past fiscal years there has been little effort to engage major headquarters customers in projecting the procurement workload that they will be sending to HPS in the ensuing fiscal year. In 2008, 7 major clients accounted for 34 percent of the requisitions and 71 percent of the dollars HPS processed. HPS has recognized the need to improve acquisition planning, and during the first quarter of FY 2009, CSO and the operating divisions launched an initiative in this area.

Performance Measurement

Beyond what is required by the balanced scorecard (discussed earlier in this Chapter), HPS has used PALT measures as a principal means to assess its performance. PALT is normally expressed as an estimate of the average number of days from receipt of requisition to award that it will take a procurement office to process certain types of procurement transaction. For example, the PALT for an administrative modification is 15 days; for a purchase order over \$25,000, the PALT is 60 days; and it is 100 days for a non-competitive contract over \$1million. Prior to implementation of a new automated acquisition system in April 2008—the Strategic Integrated Procurement Enterprise System (STRIPES) (discussed below)—HPS used its Procurement Action Tracking System to track PALT for over 58 types of transactions. Currently, STRIPES does not have the reporting capability to track PALT measures, and HPS must develop iManage Integrated Data Warehouse (IDW)⁶⁹ reports to restore this capability.

HPS' Balanced Scorecard results for FY 2008 indicate that it did not meet the PALT standards for competitive service awards over \$100,000 and for orders under Federal Supply Schedules requiring a statement of work and a request for quotation.

Staff Development

All HPS management and supervisory staff appear to be well trained and experienced. However, HPS managers are concerned about the breadth of experience of some of the senior contract specialists and the age gap between the senior staff and some very talented newer staff. There are some concerns among the GS-14s about the lack of promotion potential within HPS and the loss of quality personnel to “corporate” i.e., OPAM. A recently completed skills and competency survey identified needed training in customer service, problem solving, analytical skills, and negotiation skills.

⁶⁹ iManage is discussed in Chapter 5.

Staffing Level

Academy staff used the Jefferson Consulting Group's Workload Comparability Model (WCM) to compare HPS staff level with nine other federal agencies⁷⁰ that had similar average transaction sizes. The WCM uses an average spend per employee ratio from the comparable agencies and compares the average complexity⁷¹ of the workload with HPS. Application of the WCM produced an estimate of 43 operational and 9 support staff for HPS.⁷² This is very close to the HPS total of 51 allocated positions. However, the WCM does not address staffing needed to award and administer financial assistance transactions. In addition, the calculation was based on a projected acquisition workload identical to that reported to the Federal Procurement Data System for FY 2008, which is understated for FY 2009 because of the additional funds DOE received from the Recovery Act, which has generated new procurements. This suggests the need to reassess HPS staffing to account for projected acquisition and financial assistance workloads.

Conclusions and Panel Recommendations—Contracting and Acquisition Support for Headquarters Offices

With DOE's acquisition workload, improving the acquisition planning function is of critical importance and needs to begin as soon as possible. The Panel agrees that HPS should draw upon the expertise and leadership in CSO to lead a planning initiative to develop planning procedures and templates. However, the HPS division directors should be designated as the primary focal points for executing and tracking the plans with their customers. Initially, HPS should focus on the planning activities of its major clients, e.g., customers with over 20 actions or \$5 million in obligations. HPS also should focus on improving customer service, performance measurement, and staff development.

The Panel recommends that HPS:

- 1. prepare and implement an approach to improve acquisition planning that:**
 - a. provides for consultation with major customers in its conceptual and implementation stages**
 - b. initially concentrates on major customers**
 - c. assigns CSO responsibility for:**
 - developing planning processes and templates**
 - assisting customers in developing initial plan submissions**
 - coordinating periodic meetings with customers and the HPS director and division directors to review the status of their plans in terms of customer**

⁷⁰ Federal Highway Administration, U.S. Marshalls, Pension Benefit Guaranty Corporation, Bureau of the Census, Patent and Trademark Office, Federal Emergency Management Agency, HUD, Department of Education-CFO, and DoD Washington Headquarters Services Office.

⁷¹ Complexity factors included the extent of competition, use of other than firm fixed price contracts, use of incentives, percentage of new awards vs. modifications, and percentage of obligations for other than simplified acquisitions.

⁷² Academy staff are prepared to provide a full briefing to DOE concerning how the WCM was used to develop the HPS staffing estimate.

- progress in submitting planned requisitions and HPS progress in processing them
- d. requires HPS division directors to:
 - meet no less than monthly with major customers
 - meet with other customers on a quarterly basis
 - provide revised plans and updated status information to CSO on a monthly basis
 2. institute a customer service improvement program that includes:
 - a. onsite training for all HPS staff in customer service
 - b. continued solicitation of customer feedback through the existing survey process and periodic calls to/meetings with HPS customers and the division directors/branch chiefs
 - c. unsolicited reporting of the status of open requisitions (may be accomplished in concert with acquisition planning meetings)
 - d. sharing established PALT standards with customers as well as the processing steps, phases, and dependencies that underlie the standards
 - e. developing transaction-specific milestone plans for large and/or complex actions that outline all significant steps and dependencies and are signed by the customer and the HPS branch chief
 - f. monitoring actual results compared with PALT standards or individual milestone plans, and using data to evaluate performance and identify systemic processing issues
 - g. continuous review of workload, processing status, and customer feedback to ensure that staffing resources are deployed to optimize responsive and uniform client service throughout HPS
 3. work with OPAM and selected customer staff to develop IDW reports that:
 - a. allow HPS staff/management and their customers to track requisitions and procurements
 - b. measure actual processing against established PALT standards or individual procurement milestone plans
 4. develop and execute a plan for addressing the identified training needs in problem solving, analytical skills, and negotiation skills
 5. reassess HPS staffing needs in light of the projected workloads for acquisition and financial assistance

OPAM agrees with these recommendations and efforts are already underway in some areas.

ACQUISITION AUTOMATED SYSTEM

DOE is currently deploying an e-procurement application across the complex. STRIPES is a key component of DOE's iManage program, which will consolidate and streamline department-wide efforts to integrate financial, budgetary, procurement, personnel, program, and performance information. STRIPES, which is based on PRISM version 5.0, includes functionality required or directly associated with the planning, award, and administration of various unclassified acquisition and financial assistance instruments. It is integrated with the department's

accounting system (STARS), FedBizOpps, the Central Contract Registry, as well as the iManage IDW.

FY 2009 STRIPES Deployment Schedule

- **EMCBC**
- **Idaho Operations Office**
- **Oakridge Office**
- **NETL**
- **Chicago Office**
- **Golden Field Office**
- **Savannah River Operations Office**
- **Richland Operations Office**
- **Office of River Protection**
- **Southeastern Power Administration**

In FY 2008, STRIPES was deployed at HPS and three small field offices—the Office of Civilian Radioactive Waste Management (Yucca Mountain), the Strategic Petroleum Reserve, and Naval Reactors (Pittsburgh and Schenectady). During this study, Academy staff interviewed HPS staff and their customers concerning their experiences with STRIPES implementation, which began in April 2008. Consistently, they expressed general concerns about the training received, the difficulty in reconstructing existing data files, the system's ease of use, and reporting capabilities. After reviewing these concerns and discussing them with STRIPES project management personnel, Academy staff conveyed the following observations to the Office of Management:

- Clearly, some of the frustrations and concerns expressed are inevitable results of introducing new approaches to doing business that replace much more comfortable and familiar processes.
- Although some of the issues are legitimate, others are based on an incomplete knowledge of STRIPES' functionality and flexibilities. These should be targets for enhanced/additional training.
- Although a later version of the PRISM software will offer some additional functionality, it does not appear to address some of the major concerns expressed. Therefore, it is doubtful that any benefits from acquiring newer software merit postponing STRIPES implementation planned for FY 2009.
- A significant amount of the problems with STRIPES implementation related to issues concerning the reconstruction of existing files. Hopefully, the lessons learned and the specific guidance that has been developed will be used to mitigate data reconstruction problems at the field sites.
- Training at the field sites should be in the classroom, include requisitioners, and be tailored to the type of STRIPES user.
- Neither the current nor future versions of the software appear to offer reporting functionality that facilitates workload management or tracks success in meeting key performance metrics. Development of IDW reports to address this shortcoming should be a high priority.

Conclusions and Panel Recommendations—Acquisition Automated System

The Panel believes that successful deployment of STRIPES will require significant support and leadership from headquarters.

The Panel recommends that DOE ensure that deployment at each field site is fully supported with the requisite classroom training and onsite technical assistance.

It is critical that DOE quickly identify any reporting and workload management shortfalls in the software and develop alternatives for addressing them.

The Panel recommends that OPAM:

- **perform a gap analysis that identifies the existing reporting and workload management capabilities that are not met by the current version of the PRISM software**
- **determine the extent to which newer versions of the PRISM software address the identified gaps**
- **if appropriate, upgrade the software and/or develop IDW reports that address the identified gaps**

OPAM agrees with these recommendations.

IMPACT OF THE RECOVERY ACT

One DOE procurement office estimated that the contemplated funding would result in a number of financial assistance awards equivalent to what they awarded in the last 17 years.

The Recovery Act was enacted during the final phase of the Academy review. It is clear that the additional acquisition and financial assistance workload for DOE will be staggering. In addition to the new operational workload for HPS, OPAM is implementing new guidance to address the transparency and reporting requirements of the Act and developing expedited processes for vetting major procurement and financial assistance actions that result from it. Early indications are that OPAM has approached these challenges with the creativity and

sense of urgency that the situation clearly demands. The Panel believes that OPAM needs to summon the same agility, adaptability, and leadership to address the current challenges that have been discussed in this Chapter.

CHAPTER 5

FINANCIAL MANAGEMENT

OFFICE OF THE CHIEF FINANCIAL OFFICER

Performance Profile

STRATEGIC VISION

The CFO has developed a strategic vision for enhancing DOE financial management that transforms OCFO staff from data collectors and processors to data analysts, and relies on technology to improve data collection and facilitate analysis. The cornerstone of this vision is a uniform, consistent, and accessible department-wide database for all essential financial, budgetary, personnel and performance data that supports all of the department's management requirements. OCFO is taking steps to develop a long-term planning and programming component to the budget formulation process to address the multi-year dimension of DOE's programs and better integrate the long-term planning performed by program offices.

LEADERSHIP

CFO leadership has actively worked to bring together the department's financial management community, establish common mission-support goals throughout that broader community, and motivate DOE's financial management workforce to achieve those goals by sharing its strategic vision with them and providing opportunities to help implement changes. The leadership has altered the composition of the OCFO workforce to better enable the office to achieve its strategic vision, and has begun to address some staffing issues that threaten the financial management community. OCFO leadership still needs to improve its relationships with OMB and appropriations staff, which remain strained.

MISSION AND CUSTOMER SERVICE ORIENTATION

OCFO has a clear and consistent focus on customer service and mission accomplishment. It has actively pursued the development of new systems and system enhancements to better meet its customers' needs. Additional improvements in its budget formulation and budget execution systems are needed to align control over budgetary resources and funding accountability with program responsibilities and to meet customer needs more effectively.

TACTICAL IMPLEMENTATION

OCFO is leading DOE's efforts to modernize its management information systems and create uniform, consistent, department-wide databases to improve DOE program management and performance. As noted above under Leadership, the CFO also has moved aggressively to strengthen the analytical capabilities of his immediate office. OCFO needs to better manage reprogramming requests to meet customer needs.

AGILITY/ADAPTABILITY

OCFO has adjusted the implementation of new IT systems to reflect lessons learned from previous system rollouts. The efforts to increase the analytic capabilities of OCFO staff demonstrate the office's ability to anticipate and adapt to the needs of the department. OCFO needs to consider greater use of field resources and pursue other innovative approaches to ensure DOE's financial management workforce can adapt to changing demands, e.g., the Recovery Act.

Of the three DOE mission support offices reviewed during this study, OCFO manages the most diverse set of mission-support functions. In addition to providing the budgeting, performance management, financial management, and accounting services typical of most other federal CFO offices, it also is responsible for designing and implementing a new departmental management information system—the Integrated Management Navigation System (iManage) program—and houses the Office of Loan Guarantee programs.⁷³

Of the three offices reviewed, OCFO’s performance of the key elements within the Management Mandates was the strongest. Using those Management Mandates, this Chapter examines how OCFO supports the mission programs of the department, focusing especially on the CFO’s budgeting, performance management, financial management, and accounting functions. The Panel examined these systems in considerable depth and made several recommendations in each of these various areas. For their benchmarking analysis, Academy staff contacted the financial management operations of the Department of Health and Human Services (HHS), Housing and Urban Development (HUD), National Science Foundation (NSF), NASA, and NNSA.⁷⁴

OVERVIEW OF THE OFFICE OF THE CHIEF FINANCIAL OFFICER

A Senate-confirmed presidential appointee—the department’s CFO—leads OCFO and is responsible for ensuring the effective financial management of DOE. The CFO oversees the development and implementation of department-wide policies and systems governing budget administration, finance, and accounting; strategic planning; internal controls; program analysis and evaluation; and corporate financial systems. The primary responsibilities of OCFO include:

- formulating, executing, and analyzing the department’s budget
- developing and maintaining an integrated department-wide financial accounting system with appropriate financial reporting and controls, and publication of the associated financial reports
- developing and managing program performance measures by conducting programmatic performance and cost assessments
- serving as liaison to OMB and congressional appropriations committees for all matters related to the department’s budget activities and financial conditions

In carrying out its mission, OCFO must work closely with the program office staffs both in headquarters and the field, and with field office CFO staffs, especially for the budget formulation and execution functions.

⁷³ As a result of the Recovery Act., the CFO has been asked to assist in setting up the new Office of Advanced Research Projects Agency—energy [ARPA-E]. This office will be headed by a President-appointed, Senate-confirmed executive and is expected to identify and promote revolutionary scientific advances affecting energy technologies, help transform these advances into operational technological innovations, and concentrate on high-risk areas that the private sector may be unwilling to pursue.

⁷⁴ Although NNSA is part of DOE, it is semi-autonomous per the NNSA Act of 2000 and uses a distinctly different process for developing and assessing its budget program and financial requirements than the rest of DOE.

The department has several field CFOs that are directly responsible to their respective site managers, but who also are partially accountable to the department's CFO. The department's CFO exercises functional accountability controls over the field CFO organizations in several human resource areas (classification, grade level determination, retention, recruitment matters, performance standards/rating, and employee development/training), concurrence on reorganizations, and requests for authorities to reshape the workforce. The current CFO also has initiated efforts to build a department-wide financial management community by including field CFO staff and budget and finance staff from the program offices in an annual CFO conference to review financial, accounting, and budget issues confronting the entire community, and engaging them in the strategic financial management issues facing the department.

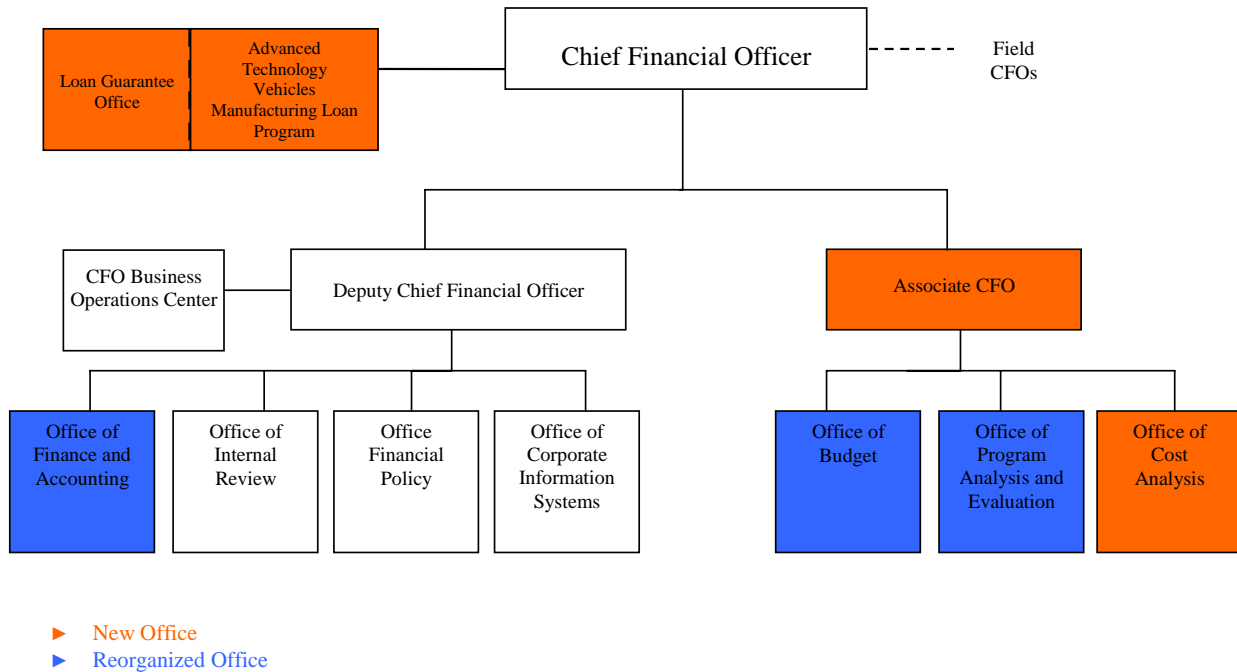
OCFO HEADQUARTERS ORGANIZATION

OCFO has undergone several changes since 2005.⁷⁵ The latest reorganization in FY 2007 was prompted by the CFO's goal to increase the analytic capabilities within OCFO. This led to the creation of a new Cost Analysis Office, a new structure and skill mix for the Budget Office, and a new Associate CFO position to supervise those offices. The Office of Corporate Information Systems, responsible for the iManage program, also assumed a critical role for implementing the CFO's strategic vision for using IT advances to improve the delivery of financial management services to DOE leadership and program offices. In addition, a new program office—the Office of Loan Guarantee—was established within OCFO to implement the loan guarantee program for innovative technologies authorized by Title XVII of the Energy Policy Act of 2005.⁷⁶ This office also will assume responsibility for the new Advanced Technology Vehicles Manufacturing Program. Both of these programs were substantially expanded with increased Recovery Act funding. Figure 5.1 shows OCFO's current structure and highlights the changes resulting from the 2007 reorganization. Appendix 5.1 contains a brief description of the specific functions and services provided by each of OCFO's major offices.

⁷⁵ These changes are discussed in more detail later in this Chapter.

⁷⁶ There are no loan guarantee programs currently active within other DOE program offices.

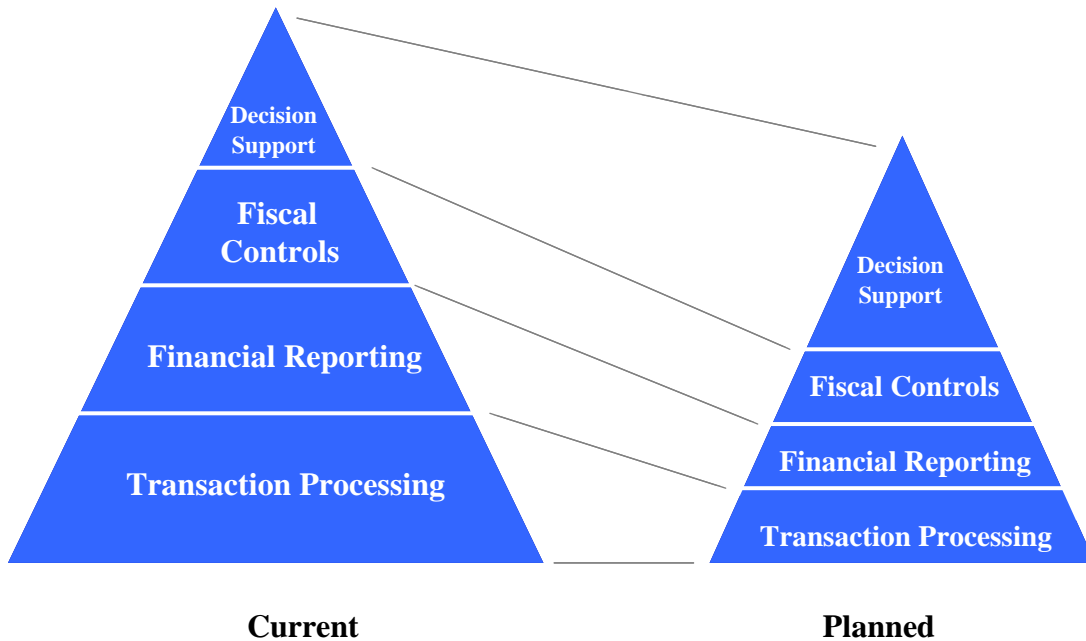
**Figure 5.1
Organization of OCFO**



THE CHANGING ROLE OF OCFO

The current OCFO leadership is in the process of transforming the office's financial management operations. A large part of OCFO's current operation still involves transactional processing activities, including the allocation of budgetary resources; establishing and monitoring fiscal controls; acquiring, validating, and maintaining detailed financial accounting data for required annual and other financial reports; and processing other financial transactions. The CFO's strategic vision is an OCFO operation with fewer staff that place less emphasis on transactional processing and greater emphasis on analyzing budget, cost, and performance data to support the DOE Secretary's program decisions and improve DOE program performance. Figure 5.2 illustrates this planned strategic transformation.

Figure 5.2
The Changing Role of OCFO



Current Efforts to Strengthen Analytical Capabilities⁷⁷

OCFO has begun to implement this transformation by relying on new IT systems, which automate many data collection and reconciliation activities, and strengthening its analytical capabilities. As indicated earlier, the FY 2007 reorganization created an Office of Cost Analysis and a new leadership position—an Associate CFO—to manage the restructured analytical offices within the OCFO. In addition, OCFO initiated a shift in the skill mix of staffs within several existing offices. The most significant change to date has been the restructuring of the Budget Office to obtain staff with stronger analytical backgrounds for that office’s Budget Analysis Division. The Program Analysis and Evaluation office (PA&E) also was reorganized to place a greater emphasis on analysis.

“Traditionally, the person responsible for the financial function had occupied the role of organizational “scorekeeper,” reporting financial information with little if any personal influence on the final outcome. Since passage and implementation of the Chief Financial Officers Act, financial executives have moved into a much more active decision-making role.”

Moving from Scorekeeper to Strategic Partner

OCFO leadership’s strategic vision for the office is consistent with Academy views to modernize financial management in federal government. In an October 2006 report,⁷⁸ a workgroup of the Academy noted that modernizing and improving financial management operations of federal agencies would

⁷⁷ These structural changes and their impacts are discussed more fully in a later section of this Chapter, OCFO Staffing and Organizational Issues.

⁷⁸ NAPA: *Moving from Scorekeeper to Strategic Partner: Improving Financial Management in the Federal Government*, October 2006.

increasingly require a similar shift in emphasis from collecting data and processing transactions to analyzing data to evaluate an agency's effectiveness and efficiency in achieving its program objectives. The Academy workgroup believed that these changes in financial management operations were necessary to realize the intent of the Chief Financial Officers Act to move financial officials from the role of financial scorekeeper to a much more active decision-making role with a place at the policymaking table.

Impending Retirements—A Challenge and an Opportunity

Most of the current efforts to strengthen analytical capabilities have occurred within OCFO. However, the CFO has recognized that DOE's entire CFO community ultimately will have to strengthen its analytical capabilities. This broader CFO community, however, is facing a significant challenge posed by the impending retirement of a significant portion of its most experienced and highly skilled workforce.

According to an analysis performed by OCFO leadership, over the next 5 years DOE's CFO community could lose 30 percent or more of its workforce through normal age retirement.⁷⁹ This impending retirement bulge is not unique to the DOE CFO community—this demographic concern afflicts a wide range of government agencies and critical occupational skills. However, when combined with the CFO's forecast of expected workload increases, the potential gap between available and required resources is projected to grow steadily and substantially to almost half of the current financial management workforce over the next five years.⁸⁰ These workload projections preceded the enactment of the Recovery Act, and the expected workload from that Act will only compound this problem within the immediate future.

CFO leadership believes that this impending retirement challenge threatens the ability of the CFO community to fulfill its mission-support functions. But it also provides an opportunity to obtain new analytical skills as replacement hires are made.

A Critical Ingredient—A Consistent, Consolidated, and Reliable Information System

In response to various government-wide directives⁸¹ for departments and agencies to develop and implement consistent and unified management information systems, OCFO has led DOE's efforts to develop its iManage program. This program is intended to consolidate the core information systems for the department's three principal mission-support entities reviewed in this report—OCFO, OCHCO, and OPAM. iManage's core systems include:

⁷⁹ Within OCFO, 69 of the 232 staff (30 percent) onboard at the end of 2008 would be eligible to retire in the next 5 years. For all DOE employees, the number of employees eligible to retire over the next 5 years as of the end of FY 2008 was about one-third of the onboard staff. The percentage is much higher for higher-graded staff. For example, 49 percent of DOE GS-15s, and half of DOE SES staff would be eligible to retire over the next 5 years.

⁸⁰ This analysis assumes about a five percent increase in normal workload, bringing the increase in required staffing above current levels over the next five years. It also assumes that retirements and other normal attrition are not replaced. These assumptions tend to overstate the potential gap between available supply and expected demand for financial management staff.

⁸¹ Examples include the Clinger Cohen Act of 1996 and various OMB directives enacted since FY 2002.

- CHRIS—the Corporate Human Resources Information System providing the human resources component
- STARS—the Standard Accounting and Reporting System providing the financial management and accounting component
- STRIPES—the Strategic Integrated Procurement Enterprise System providing the procurement and financial assistance component
- IDW—the Integrated Data Warehouse that serves as the department-wide consolidated database for generating management and other analytical reports
- iBudget—the system providing the budget formulation and execution components

Two of these core systems—CHRIS and STARS—have been completed and fully incorporated within the iManage program. The IDW also is functioning for those two systems. STRIPES is currently being rolled out. iBudget is still under development. Currently, OCFO is working to incorporate into iManage DOE's performance assessment data required for Government Performance and Results Act (GPRA) and Program Assessment Rating Tool (PART) reporting and their supporting automated system, Performance Measure Manager (PMM).⁸²

For OCFO, iManage is the cornerstone for achieving its strategic vision and offers the critical advantages of:

1. creating a single, consistent, department-wide management information system with consolidated data systems that should minimize the need to reconcile data from different systems
2. establishing a flexible and accessible system for generating customized and standard management and analytical reports using common and consistent data
3. providing a consistent technological platform (i.e., systems architecture) for future department-wide upgrades and extensions to maintain common standards, preserve cyber-security, and potentially save costs
4. making use of existing technology to substitute capital for labor in generating and validating data
5. facilitating the shift of staff resources from data entry, reconciliation, and other transactional activities to analysis and evaluation using common, consistent data

While these advantages may well materialize once iManage is more complete and mature, some implementation, system design, and other issues may impede the full realization of these anticipated advantages. For example, as discussed in Chapter 3, while CHRIS meets the personnel transactional processing needs of HR staff, many of its analytic capabilities have not been developed. There also have been some implementation issues with STRIPES, which are discussed in Chapter 4. Implementation and other ongoing issues with STARS are examined later in this Chapter.

Anticipated workload increases and personnel attrition only increase the importance of successfully using technology to meet DOE's financial management requirements. OCFO's ability to provide the financial management support that DOE's Program Assistant Secretaries

⁸² DOE's performance assessment system is discussed later in this Chapter.

need to implement effectively their programs depends directly on successfully substituting iManage capital for CFO labor. The CFO's strategic vision fully recognizes the critical importance of substituting iManage IT capability for traditional CFO staff transactional operations.

BUDGET FORMULATION PROCESS

Throughout the federal government, the annual budget request is the culmination of the policy and program decisions and resource allocations that reflect departmental leadership and Administration policy priorities. While external processes—the OMB and congressional budget processes—establish key parameters that determine the timing and content of the budget formulation process, each department can design its own internal formulation process to best meet its needs. A key determinant in the timing of federal agency internal budget processes is the OMB requirement to receive budget requests in September of each year. Consequently, most agency budget formulation processes culminate with final Secretary or agency head decisions in late July to allow enough time to develop supporting documentation.

Common Elements in DOE's Budget Formulation Process⁸³

The DOE budget formulation process—called the Corporate Program Review (CPR)—has several features common to most other federal agency budget formulation processes.

- Secretarial decisions emanating from the CPR occur in July, with subsequent instructions to the program offices to develop their OMB requests for submission in September.
- In April, DOE issues to the Program Assistant Secretaries and headquarters mission-support offices secretarial program and fiscal guidance to initiate the CPR.
- Senior DOE officials, including the Deputy Secretary, Undersecretaries, and the major headquarters mission-support directors, form a review group to assess and rank specific program budget proposals to assist the Secretary in making final budget program decisions.

It should be noted that some program offices have increased the involvement of field CFOs in their budget formulation activities.

Long-Term Focus and Integration with Other DOE Long-Term Planning Processes

While many DOE programs have a multi-year dimension with significant long-term costs, DOE's current CPR budget formulation process lacks a long-term planning and programming component to ensure these long-term program goals and costs are efficiently and effectively met. DOE's FY 2009 budget call required recipients to submit specific five-year proposals for review in June and decision in July. However, the FY 2009 CPR continued to focus principally on

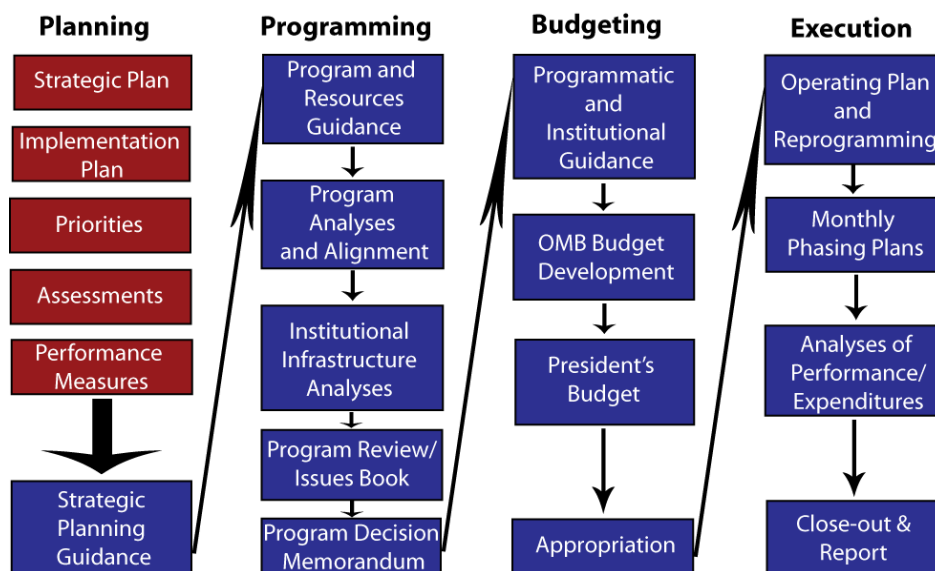
⁸³ Academy staff benchmarked five other agencies (including NNSA within DOE) to compare components of DOE's budget formulation and execution processes with other domestic federal agencies. The results of this benchmark review are contained in Appendix 5.2.

short-term, one-year (budget year) issues, and there was little evidence that submitted out-year data were used to make distinct multi-year or out-year program decisions.

Analysis of the benchmarked agencies' budget formulation processes revealed substantial variations among them. The most significant differences were between those agencies with an explicit long-term planning and programming process preceding the development of the annual agency submission to OMB (HHS, NASA, and NNSA) and those with only an annual budget development process (HUD and NSF).

Figure 5.3 depicts the NASA process, which has the most structured long-term planning, programming, budgeting, and evaluation (PPBE) process for developing an annual budget among the benchmarked agencies. The first two components—planning and programming—are currently not part of the DOE CPR process. The department has a long-term strategic planning process that is managed by OCFO's PA&E Office. But the development of the strategic plan and its revision every three years is separate from the CPR process, and the linkage between annual CPR budget decisions and strategic plan goals appears very tenuous. Most agencies with a formal PPBE process (including NNSA and some of the program offices within DOE) begin their integrated budget formulation process much earlier in the year than DOE—usually late January or early February—to allow time for these planning and programming processes to complete their analyses.

Figure 5.3
NASA's PPBE Process



The benchmarked agencies that have an explicit, formal, long-term planning and programming process integrated with their annual budget formulation process (as well as other agencies with such a process, e.g., DoD) have independent PA&E offices to manage the planning, programming, and evaluation components of their processes. They reported that this helps provide a rigorous, long-term, analytical focus to the planning and programming elements of an integrated PPBE process. However, even some agencies without a formal long-term planning

and programming, process, e.g., HUD, have independent, analytical offices to assist the CFO/budget office in the review of budget proposals and the evaluation of program performance.

As noted above, some DOE program offices, e.g., EM, EERE, and NNSA, have formal, long-term planning and budgeting processes to develop their own budget plans and proposals. The NNSA budget formulation process is the most structured and institutionalized, reflecting NNSA's DoD experience/heritage. Its formal PPBE process tracks fairly well with the NASA process depicted in Figure 5.3. Like most other agencies with formal PPBE processes, these DOE program offices begin their annual cycles well in advance of the DOE CPR process. This creates some potentially awkward integration issues for these DOE program offices if the CPR program and fiscal guidance differs significantly from the assumptions they made in their internal planning and programming processes.

Linkages to the Critical Decision Process

In addition to, and separate from, the annual budget formulation process, DOE has an independent, formal decision process for major capital asset projects—the Critical Decision (CD) process—which is managed by the Office of Engineering and Construction Management (OECM) within the Office of Management. The CD process has three distinct decision stages:

- CD-0 to review mission need for the project
- CD-1 to assess design and cost alternatives for the project
- CD-2 to establish an approved performance baseline for annual activity and costs

Because these major capital asset projects often require significant budgetary resources over several years, they have to be accommodated and accounted for in the final program budget decisions that emerge from the CPR process. However, the timing of the CD process does not always coincide with the CPR process. Oftentimes, the CPR must accommodate CD-2 decisions regardless of their priority, which creates a budget constraint or an implicit earmark for that capital asset project and affords it a unique and higher priority relative to other activities in the affected program area.

Purpose and Timing of Field Budget Calls

As part of its CPR process, DOE issues a field budget call for detailed budget data that is separate from the annual budget call. However, the timing of the field budget call is not aligned with the formal guidance issued for the annual CPR. For the FY 2009 CPR process, DOE issued the field budget call to the Program Assistant Secretaries and field office directors in November 2006, requesting that they provide their data to OCFO by March 15, 2007, which preceded the issuance date of the secretarial program and fiscal guidance initiating the FY 2009 CPR.

None of the benchmarked agencies use a separate field budget call in their budget formulation processes.⁸⁴ Many agencies obtain detailed budget data and other technical information from

⁸⁴ The Academy Panel and staff familiar with federal budgeting practices were not aware of any department or agency using a separate field budget call as part of their budget formulation processes.

their subordinate offices, but requests for data generally accompany the program and fiscal guidance that is part of the formal budget call.

Several field offices indicated that they did not know how the data they supplied through the field budget call were used, if at all, in the budget formulation process. Budget Office staff suggested that the field budget call served program offices by providing a common and consistent format for collecting detailed data from their field offices. But Academy staff interviews with program budget offices found that those offices were able to obtain the requisite data from their field offices during their internal review processes, and that the field budget call duplicated the data calls they made to the field to respond to the secretarial fiscal and program guidance. An informal telephone survey of program budget offices indicated that while the field budget call may provide some useful crosscutting data and ensure consistency in the data collected, they generally saw little use or value for the data and would not oppose eliminating the field budget call.

Conclusions and Panel Recommendations—Budget Formulation Process

Long-Term Focus

“Strategic planning needs to be integrated more fully into the financial management and budget formulation process.”

Moving from Scorekeeper to Strategic Partner

The DOE budget formulation process meets the department’s minimum needs—it produces an annual budget that reflects short-term (i.e., budget year) program priorities. However, without a long-term planning and programming component to the CPR process, the program goals established in DOE’s five-year Strategic Plan are not effectively linked to decisions emanating from the CPR process. This impedes the

Secretary’s ability to achieve efficiently and effectively the long-term goals of DOE’s many complex programs that have multi-year dimensions and significant long-term costs.

A formal PPBE process, or at least the addition of long-term planning and programming components to DOE’s CPR process, would help address these deficiencies and improve the current CPR process. It would allow the department to consider fully the long-term implications of funding alternatives for its complex programs with multi-year dimensions. This longer-term focus would allow DOE to consider out-year implications of constrained current-year program decisions, including total economic costs and programmatic impacts along with their budgetary effects. The decisions resulting from a multi-year programming and budgeting process also should be integrated with DOE’s strategic planning process to help the department better assess the feasibility of meeting its strategic and other high-priority program goals over a longer (at least five-year) time horizon given known fiscal restraints. This enhanced process would need to start early in the year to allow enough time for the analysis of multi-year program alternatives.

A stronger PA&E is needed to manage a CPR with long-term planning and programming components,⁸⁵ and other OCFO offices and program offices will require enhanced analytical

⁸⁵ The benchmark review of other agencies with formal PPBE processes indicated that PA&E resources required to manage that process and provide needed analytical support exceed the resources currently allocated to the CFO’s PA&E office. Leveraging other analytical resources within other departmental offices may alleviate the need for

capabilities.⁸⁶ While an independent PA&E office, i.e., one that does not report to the CFO, is the more common organizational model for other agencies with a formal PPBE process, the Panel believes the most critical issue is the need to strengthen the analytical capability to implement this change. Any restructuring is purely a secondary decision and it should be left to the department to determine the most effective and least disruptive approach.

In January 2009, the Panel recommended that DOE establish formal, long-term planning, programming, and evaluation components to augment its current budget formulation process and issue the program and fiscal guidance in February to initiate this new PPBE system.

The department has accepted the Panel's recommendation, and the CFO has already led efforts to examine alternatives for implementing a formal PPBE process at DOE.

Critical Decision Process

The Panel believes that the annual and long-term resource implications associated with a decision for a major capital asset demands that CD-2 decisions be made concurrently with other budget decisions in the CPR process for the affected program. The recommended long-term planning and programming modifications to DOE's CPR process should include the integration of the entire CD process. This integration should yield several favorable outcomes.

- Incorporating the CD process for analyzing long-term cost alternatives for individual major capital asset projects would strengthen the analytical content of the long-term programming process. To a very significant degree, the CD-1 process could serve as a model for the types of long-term cost analyses needed for other long-term program decisions.
- This integration would discipline the CD process by requiring that the analyses needed to evaluate these alternatives be completed in a timely manner to permit consideration during the proposed long-term programmatic review process. Incorporating the CD process into the long-term programming process also would provide an opportunity to assess the feasibility of multiple capital asset project alternatives using the various fiscal scenarios being considered by DOE.

In January 2009, the Panel recommended that DOE integrate the CD process for major capital asset projects into the proposed long-term planning, programming, and evaluation component of DOE's budget formulation process.

OECM can still manage the CD process, but it will have to coordinate its activities, including requests for data, with PA&E or whatever office DOE designates to manage the new long-term planning and programming components of its enhanced CPR process.

some additional PA&E resources. But current PA&E work priorities may have to be changed to reallocate resources to support this new PPBE process, and some additional resources may still be needed.

⁸⁶ The need for enhanced analytic capability in the department is discussed further in the OCFO Staffing and Organizational Issues section of this Chapter.

The department has accepted this recommendation but plans to phase it in to avoid overloading the new long-term planning and programming process.

Field Budget Call

The purpose and value of DOE's field budget call are unclear. Its timing and its lack of connection to the data collection that occurs for the formal annual budget process results in a duplication of effort. To simplify and streamline the budget formulation process, a technical attachment to the program and fiscal guidance memorandum for the annual budget call could request from the field any required technical and detailed budget data using consistent formats. This attachment also could require the program offices to collect selected data required for crosscutting issues.

In January 2009, the Panel recommended that DOE eliminate the field budget call and incorporate any remaining data needs in a technical appendage to the program and fiscal guidance memorandum.

OCFO budget staff indicate that they are reviewing the need for a separate field budget call and the data collected.

BUDGET EXECUTION PROCESS

The budget execution process consists of two key elements.

- The funds distribution process distributes budgetary resources to the officials responsible for implementing programs and meeting program objectives.
- Budget execution reviews are the means to monitor the actual obligation and use of budgetary resources.

An effective and efficient system is critical to ensuring that requisite resources are provided to the appropriate officials in a timely, accurate, and complete manner and that program objectives are being met in a cost-effective way.

DOE's Funds Distribution Process

DOE's current funds distribution process consists of the formal, legal allotment document, the Advice of Allotment, which contains the congressional limits on the use of appropriated program funds, and another supplementary document, the Approved Funding Program (AFP), which contains the detailed congressional limits and additional spending limits established by the Program Assistant Secretaries and others, such as OMB.

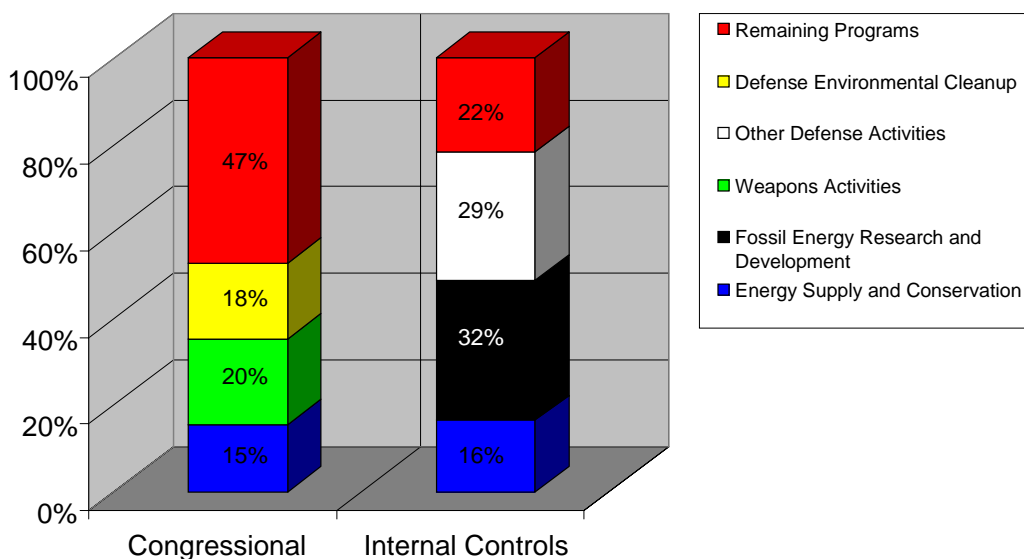
Congressional Controls

DOE maintains 51 distinct appropriations from Congress with 111 separate funds or line items for its major programs and activities. Compounding this complex appropriation structure, Congress also establishes more detailed spending controls for DOE through appropriation language or specific limitations in report language accompanying the appropriations bill. For FY 2008, DOE identified 514 explicit congressional spending controls. A reported lack of trust between OCFO and both OMB and appropriations committee staffs, dating back several years, has generated these detailed spending controls on DOE's budget execution system.

These detailed congressional spending controls are included in a congressional base table that DOE maintains and includes in its funds distribution processes to limit the use of appropriated resources. OCFO budget staff also monitor these controls to ensure that actual spending complies with these limits and to request a formal reprogramming of appropriated resources if program requirements demonstrate a need to reallocate funds.

Many of the congressional controls are concentrated in a few program areas. As Figure 5.4 indicates, three DOE program areas—energy supply and conservation, weapons activity, and defense environmental cleanup—account for more than half of the detailed congressional spending controls in DOE's congressional base table. OCFO budget staff share this congressional base table with congressional appropriations committee staff quarterly.

Figure 5.4
Concentration of Congressional and Internal Controls by Program Area



A number of these congressional spending limits impose controls on very small spending amounts. For example, over 7 percent of these congressional spending controls focus on items of \$25,000 or less within a DOE budget with appropriated budget authority of more than \$25 billion.

Appropriations staff acknowledge the complexity of the DOE appropriation structure, but their concerns about the effective management of many large DOE projects have prompted the detailed congressional spending limits now in place. However, they disagree with the number and scope of the congressional spending controls DOE has identified and included on its congressional base table.

Academy staff compared the spending controls in DOE's FY 2008 congressional base table with the amounts and line items contained in the congressional spending table in the report accompanying the FY 2008 appropriations bill for DOE.⁸⁷ Table 5.1 contains the results of that analysis. Academy staff found significant differences for each of the 10 major appropriations reviewed. In every appropriation but two, the congressional controls in DOE's congressional base table were greater than those in the committee report table. Moreover, these differences were often significant, amounting to a difference of 20 percent or more for several appropriations.

Table 5.1
Comparison of Congressional Controls on DOE Spending

<u>DOE Appropriation</u>	Number of controls from:		Differences	
	DOE Base Table	Congressional Report Table	Number	Percent
Fossil Energy Research & Development	29	21	8	27.6%
Science	43	34	9	20.9%
Weapons Activity	93	97	-4	-4.3%
Other Defense Activities	27	16	11	40.7%
Defense Environmental Cleanup	83	82	1	1.2%
Defense Nuclear Nonproliferation	24	15	9	37.5%
Naval Reactors	6	7	-1	-16.7%
Electricity Delivery & Energy Reliability	14	6	8	57.1%
Nuclear Energy	25	18	7	28.0%
Energy Efficiency & Renewable Energy	48	28	20	41.7%
Subtotals	392	324	68	17.3%

⁸⁷ Appropriations staff indicated that the true congressional spending limits are those identified in the detailed spending table contained in the report accompanying the appropriation bill.

DOE Internal Spending Controls

In addition to congressional controls, the Budget Office identified 117 internal program spending controls for FY 2008.⁸⁸ Because Program Assistant Secretaries are not directly involved in the allotment process, they establish these internal controls, which are included in the AFPs sent to the department's 17 budget allottees—the CFO for headquarters and field office managers and field CFOs—to establish their program priorities and controls within the budget allotment process. Although the Advice of Allotment is the legal control for the budget, field CFOs and headquarters budget officers appear to view the AFP as the controlling allotment document.

These internal controls share many of the same characteristics as the congressional controls, as shown in Figure 5.4:

- Most of these internal controls are concentrated in a few program areas, with three programs—fossil energy research and development; other defense activities; and energy supply and conservation—accounting for almost 85 percent of the total internal controls.
- With the exception of energy supply and conservation, most internal controls are concentrated in program areas with the fewest congressional controls.
- Some internal controls—over 9 percent—address very small activities of \$25,000 or less.
- There also was some discrepancy in the extent and number of these internal controls. Academy staff analyses of DOE documents identified over 180 internal controls for the 10 major DOE appropriations examined.

Some of these internal controls focus on reimbursable activities, which are not subject to congressional spending controls.

Impact of Congressional and Internal Controls

The sheer number of spending controls and the level of detail in the AFP requires frequent changes to established funding levels, often resulting from moving specific program funds between field sites. Because most DOE staff treat the AFP as if it were the controlling allotment document, the detailed controls, especially the internal controls, increase the need for formal changes in the AFP. DOE has a monthly process to revise the AFPs to accommodate changes in planned obligations among the myriad control levels. In FY 2007, DOE made 17,982 AFP changes. OCFO staff also process “emergency” changes to the AFP that cannot wait until the regular monthly process. Although these changes are managed electronically, field and headquarters budget staffs acknowledge that the funds distribution process, principally changes to the AFP, requires substantial effort to update and maintain.

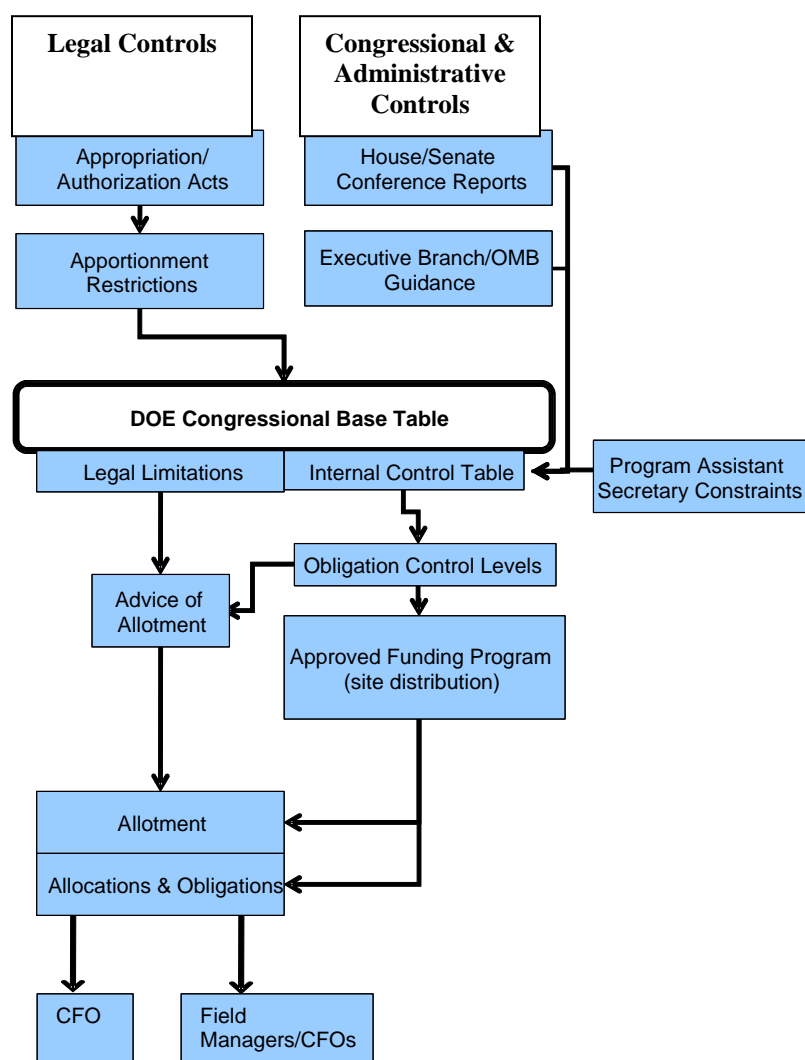
The Allotment Holder

As noted above, DOE allots its budgetary resources, i.e., it assigns responsibility for controlling the ultimate distribution of appropriated DOE funds, to the CFO, field office managers, and field

⁸⁸ The number of FY 2008 internal controls was taken from a May 7, 2008 presentation by Ms. Bonnie Giampetro to DOE CFO field staff.

CFO's, and not to the headquarters Program Assistant Secretaries responsible for achieving program objectives. Figure 5.5 depicts the DOE allotment process.

Figure 5.5
DOE Allotment Process



Academy Panel and staff members are familiar with many federal departments and agencies, and in practically all cases, the Program Assistant Secretaries, or their equivalents, who are responsible for managing agency programs receive the budget allotments. This is the case whether the Program Assistant Secretaries implement the programs from headquarters or from an extensive field office network. Among the four benchmarked agencies, three—HUD, HHS, and NASA—allotted budget resources to their Program Assistant Secretaries.⁸⁹ Only NSF⁹⁰ allotted

⁸⁹ HUD and NASA implement their programs from an extensive field office network, similar to DOE.

its total budgetary resources for research to the CFO for subsequent administrative distribution to specific program areas.

Academy staff surveyed all DOE program budget offices on their views about shifting the allotments from field office managers and field CFOs to Program Assistant Secretaries. While the majority supported such a change, two of the program budget offices strongly opposed it. Three offices also expressed concerns about the additional workload it would create for their offices. Any workload impacts would clearly depend upon the continued use of OCFO budget staff to manage the AFP process for the Program Assistant Secretaries.

Controlling Carry-Over Balances by Year of Appropriation

Virtually all DOE appropriations involve no-year funding. Because many of the long-term DOE projects obligate funds over several years, DOE has frequent and often large carry-over balances for these no-year appropriations until they are fully obligated. With the implementation of its new accounting system, STARS, OCFO began monitoring these carry-over balances by year of appropriation by establishing spending limits on them by year of appropriation. These additional controls are not included in the number of congressional and internal controls described earlier. However, they are appended to the AFP and, as a part of the AFP and allotment process, add to the already numerous spending limits. And each fiscal year, the number of detailed spending controls increases as old carry-over balances remain on the books. Data were not readily available to indicate how many of DOE's yearly AFP changes were related to controlling carry-over balances by year of appropriation.

DOE does not report this level of detail to either OMB or Congress. Neither the OMB apportionment documents nor the financial monitoring documents provided to OMB and Treasury contains data on carry-over balances by year of appropriation. Moreover, the DOE appropriation bill has contained general language allowing the merger of prior-year carry-over balances within each appropriation to avoid this type of detailed control and monitoring for presumably small and diminishing amounts of resources.

Conclusions and Panel Recommendations—Budget Execution Process

Funds Distribution Process

The Panel believes that DOE needs to try to simplify its budget execution process by reducing the number of formal controls placed on its annual program spending. DOE's complex programs require management flexibility to respond to changing conditions, work progress, priorities, and new opportunities. A formal allotment process with numerous and detailed spending controls limits that management flexibility. The numerous, detailed congressional and internal controls, in conjunction with the complex DOE appropriation structure, make DOE's budget execution

⁹⁰ The NSF allotment situation is somewhat unique among federal agencies because NSF is a small agency, receives one large, consolidated appropriation for all its research activities, and has no field offices. The NSF budget officer is the official allottee and allocates the research allotment among the NSF research divisions using an administrative operating plan to ensure that the amounts distributed to each division accords with congressional intent in the appropriation.

system excessively complicated and labor intensive to maintain. The greater the level of detail and number of formal spending limits, the greater the number of changes that need to be made, particularly for an organization with dynamic programs. The number of formal AFP changes being processed annually by DOE is evidence of the need for simplification.

The discrepancy Academy staff found between the number of congressional spending controls in the congressional report on the annual DOE appropriation and the number of congressional controls DOE identified in its congressional base table provides an opportunity for OCFO staff to meet with appropriations committee staff to resolve these differences. A successful resolution would be a useful first step in initiating the dialogue needed to consider further reductions in the number and level of detailed congressional spending limitations.

Other agencies, e.g., NASA, have been able to satisfy congressional and OMB needs for detailed program information without the imposition of explicit, detailed spending controls in appropriations or report language. Timely responses to information requests and periodic reports on progress and program results can satisfy those needs. But external stakeholders must be able to rely on the timeliness, completeness, and accuracy of these responses and reports. Trust in the accuracy of the data and those supplying information is critical if DOE is to succeed in having fewer, detailed congressional spending controls.

In October 2008, the Panel recommended that OCFO staff meet with appropriations staff to reconcile the differences in their reported numbers of detailed congressional spending controls. Further, depending upon the success of that effort, the Panel recommended that DOE work with appropriations staff to reduce congressional controls to only items of current congressional concerns.

OCFO has agreed with the need to reduce the number of detailed congressional spending controls and ensure that the controls being implemented still reflect congressionally imposed restraints.

Allotment Holder

DOE's budget execution system has a fundamental, critical deficiency—it fails to align control over budgetary resources and funding accountability with program responsibilities. Congress, the public, and the DOE Secretary hold the Program Assistant Secretaries accountable for program results. But, their ability to achieve those results depends directly on their ability to control the use of the budgetary resources Congress has provided their programs. DOE has attempted to use its AFP process, with its elaborate system of detailed internal spending controls, as a means for Program Assistant Secretaries to exert some programmatic control over funding allotments to the field. But this is a poor and cumbersome substitute.

In January 2009, the Panel recommended that DOE make Program Assistant Secretaries recipients of budget allotments for their respective programs.

This direct alignment of control over budgetary resources and funding accountability with program responsibilities is fully consistent with sound administrative practices and principles.

This change should significantly strengthen the role of DOE's Program Assistance Secretaries. It also should simplify and streamline the excessively cumbersome and duplicative process DOE currently uses for distributing its appropriated funds and other budgetary resources. The Panel believes this change is fully consistent with the CFO's strategic vision for transforming OCFO's financial management operations from a transactional to an analytical orientation. OCFO staff could continue to manage a simplified funds distribution system originated by the Program Assistant Secretaries. Any savings from a less cumbersome control process could be invested in analyzing the cost effectiveness of program operations.

OCFO has objected to this recommendation. It maintains that the current system is functioning, and any change could require additional resources and time to implement.

Carry-Over Balances

Spending controls for carry-over balances by year of appropriation provide little value, further complicate an already labor-intensive budget execution process, and defeat the purpose of no-year funding and the "merger language" in DOE appropriations that was designed to facilitate the use of unobligated carry-over balances. The Panel recognizes and appreciates OCFO's concerns about improving program performance and completing projects in a timely manner consistent with approved plans. A build up of unobligated carry-over balances within a program is a signal that performance problems and insufficient progress may exist. But, the department should distinguish between the need to control obligations of aged funds from the need to monitor the use of those funds. OCFO does not need to use its formal funds control system to monitor how its carry-over balances are being used. Other agencies monitor the use of funds at a different level of detail than they control the spending of funds to avoid having to deal with the explicit documentation requirements of their formal funds control systems. They supplement their formal allotment systems with informal administrative systems to control and monitor spending because changes can be made more quickly and simply within administrative systems.

The Panel believes OCFO can simplify how it monitors the build up of carry-over balances and identifies potential management and performance problems by using aggregate information. This would require some changes to STARS. There also are more effective and less burdensome alternatives to encourage the accelerated use and elimination of aged balances. For example, a departmental policy to recapture unobligated balances that have aged beyond a certain time limit, such as three or four years, might provide adequate incentive for fund managers to expend these older balances,

In October 2008, the Panel recommended that DOE eliminate spending controls by year of appropriation for no-year funds.

OCFO has not yet taken a position on this recommendation. OCFO accounting staff maintain that implementing this recommendation would disrupt the current link between detailed allotments in the AFP and STARS and require a major overhaul of the current OCFO budget execution system for obligating funds and monitoring their use. However, OCFO budget staff believe this simplification would help reduce transactional workload, which is consistent with

the CFO's strategic vision to transform OCFO operations from a transactional to an analytical orientation.

PROCESSING BUDGET REPROGRAMMING REQUESTS

Academy staff examined DOE's current process for preparing and submitting budget reprogramming requests to Congress in response to reports that there were excessive delays in the process.

Reasons for Budget Reprogrammings

Because needs, conditions, and program priorities can change during the course of a year, Congress often provides federal agencies with limited authority to transfer funds among appropriated amounts (transfer authority). In the past, DOE had transfer authority, but recent Congresses have rescinded most of it.⁹¹ Without transfer authority, DOE must request a budget reprogramming through explicit congressional appropriations action when commitments for a specific program or project are expected to exceed approved funding levels or other explicit congressional spending limits. The number and level of detail of specific congressional spending controls for DOE increases DOE's potential need for budget reprogrammings.

Number and Types of Reprogrammings

DOE distinguishes among several different types of reprogramming requests (termed "reprogramming flavors").

- **Formal** reprogrammings require explicit, advanced congressional approval to reallocate funds from one congressionally controlled program area or project to another program area or project. (This normally requires explicit changes to amounts in the congressional base table.)
- **Informal or limited** reprogrammings involve reallocating limited amounts of resources to different projects or programs within an appropriation up to the ceiling established by Congress for such authorized reprogramming or transfer. This request normally requires that DOE notify Congress within 15 or 30 days of the reprogramming action taken.
- **Notification** reprogrammings are within congressional spending controls, but may affect specific projects or programs of interest to Congress. These are courtesy notifications and are not tied to a specific time deadline. They also can be conveyed informally or orally rather than through a written document.

Between FY 2004 and the first half of 2008, DOE had 106 budget reprogramming requests. Figure 5.6 shows the number of reprogramming requests by year and type of request.

⁹¹ At present, only DOE's NNSA program has limited transfer authority.

Figure 5.6
Reprogramming Types by Year

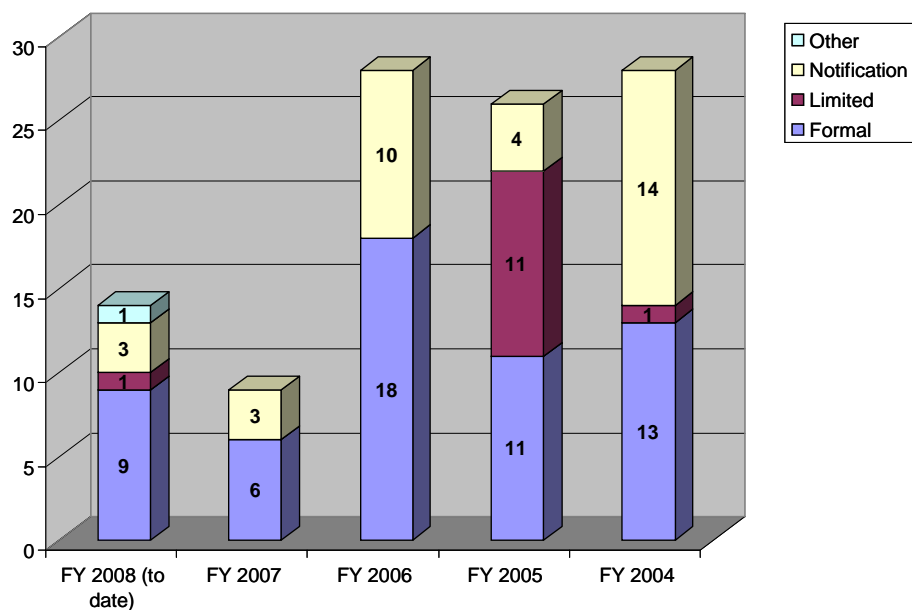
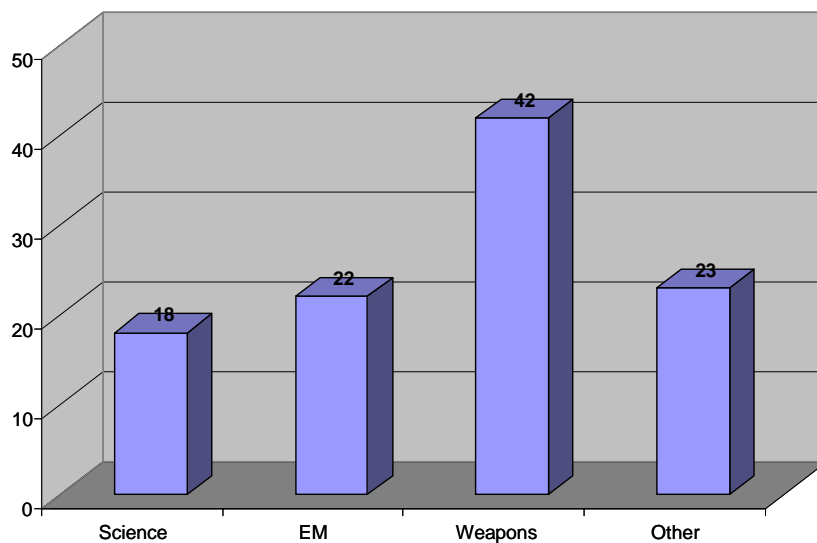


Figure 5.7 shows the cumulative amount of reprogramming requests for that period by major program area. Those program areas with the greatest number of reprogramming requests—weapons, environmental management, and science—also are those with the greatest number of congressional spending control limits in the congressional base table.

Figure 5.7
Total Reprogrammings FY 2004-2008 by Program Area



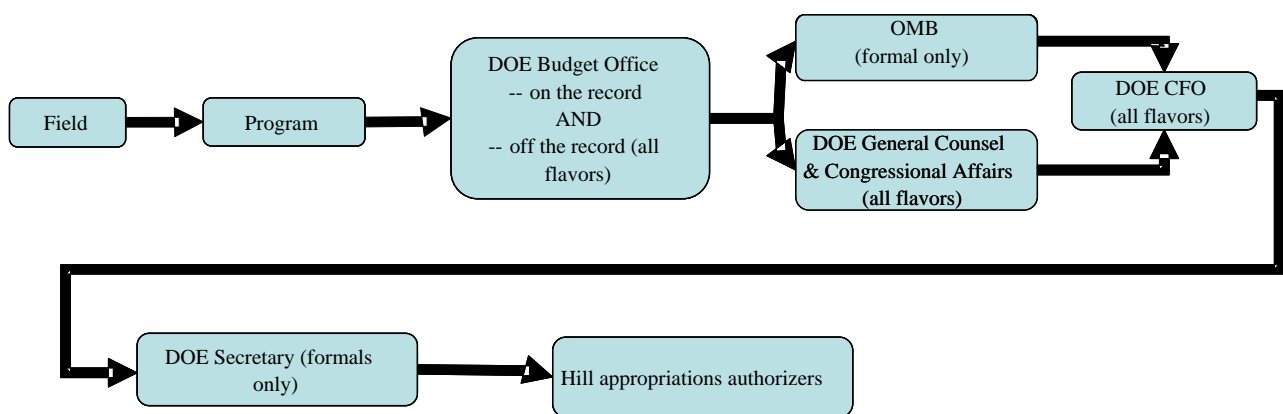
DOE's Process for Developing Reprogramming Requests

DOE's process to develop a reprogramming request consists of the following actions:

- The headquarters program office budget staff, with field input, prepare the initial package, citing the need and reasons for the request and the proposed funding source(s).
- OCFO Budget Office reviews the need justifications and ensures that the funding source(s) is available and appropriate.
- General Counsel reviews the request to validate the statutory citations and the appropriateness of the proposed funding source(s).
- Congressional Affairs reviews the request for any potential political issues with either the need or the funding source(s).
- OMB reviews the formal reprogramming requests to ensure its consistency with Administration priorities.

Academy staff found that the DOE headquarters reviews appeared to be sequential rather than concurrent, and occurred after the program offices already had done much detailed work. Figure 5.8 depicts the current administrative process for DOE reprogramming requests.

Figure 5.8
Administrative Process for Reprogramming Requests



For very complex, sensitive and/or critically urgent reprogramming requests, the Budget Office has convened a meeting of the program office and headquarters reviewing offices to address substantive or other sensitive issues in an effort to help expedite the process.

Managing the Reprogramming Process

Academy staff found that no one individual was responsible for managing DOE's budget reprogramming request process. There were no deadlines for processing and approving or rejecting reprogramming requests, and there was no formal system for tracking reprogramming requests from their initiation in a program, field, or headquarters office through submission to Congress. Consequently, data on the time to process reprogramming requests in prior years were

not available. Budget Office staff had to develop estimates of the processing times for four recent actions by reviewing e-mail records. The four reprogramming requests sampled varied from short and simple to extended and complex. The processing times for these actions ranged from 5 to almost 20 weeks.

The lack of a management system for reprogramming requests stands in contrast to how DOE manages the preparation of congressional reports and correspondence. The Office of the Executive Secretariat is responsible for those activities. The office uses an automated system—the Electronic Document Management System (EDOCS)—to assign and track actions against established deadlines and identify sources of delay. The Office of the Executive Secretariat indicated that it had the capability and was willing to process budget reprogramming requests through EDOCS.

Conclusions and Panel Recommendations—Processing Budget Reprogramming Requests

The large number of congressional controls on DOE's budget means that reprogramming requests are an inevitable part of DOE's budget execution system. Thus, the reprogramming process needs to be well managed if it is to meet customer needs. The Panel believes that the timeframes to process the sampled actions indicate that improvements are needed. Someone needs to be responsible for the process, and OCFO should avail itself of existing technology to more effectively manage the process and ensure that actions are being processed in a timely fashion.

In October 2008, the Panel recommended that DOE include reprogramming requests in EDOCS.

No action has been taken to use the EDOCS management control system to improve DOE's budget reprogramming process.

The Panel was encouraged by OCFO's efforts to adopt a more proactive approach for sensitive or urgent requests. While the lack of data precludes any analysis of whether this approach has reduced processing times relative to the "normal" sequential process, the Panel believes early identification and resolution of potential issues should expedite the processing of reprogramming requests and should be used for all requests in the future.

In October 2008, the Panel recommended that OCFO staff convene a meeting among headquarters and program staffs early in the development process for all reprogramming actions to identify and resolve potential substantive and sensitive issues before they become formalized in a program office request.

OCFO has not objected to this recommendation. Adopting this recommendation will require OCFO to exhibit the same agility and adaptability it has demonstrated in the implementation of iManage.

DOE'S PERFORMANCE ASSESSMENT SYSTEM

DOE uses numerous metrics to assess how well it is accomplishing its various program objectives and overall strategic goals. For the last eight years, DOE, like all federal agencies, has participated in OMB's PART reviews for its programs. The DOE annual performance report indicates that PART tracks 210 distinct measures annually through OMB's PARTWeb system. This is a government-wide system that all agencies are required to use.

DOE also maintains about 194 GPRA measures to inform Congress on its progress in meeting various program objectives. The PA&E Office monitors the GPRA metrics quarterly using PMM. In addition, individual Program Assistant Secretaries and field office managers use other distinct metrics to assess progress on key programs or projects under their purview.

DOE has undertaken several initiatives to consolidate and streamline its performance assessment systems. PA&E is working to use the PMM system to automate the PART data and upload it directly from PMM to the OMB PARTWeb system. This will reduce the burden of entering the same data into multiple automated performance assessment systems.

PA&E also has made some progress in aligning the separate metrics used by the PART and GPRA performance assessment systems. Through a series of "value mapping" reviews, PA&E has been assessing the validity, utility, and actual use of the PART and GPRA performance measures in specific DOE program areas. For those measures that have been "value mapped," PA&E reports that it has successfully aligned most, but not all, of the separate measures. PA&E staff also have attempted to purge unused measures from the performance assessment system, but the results have been mixed. Successful purging requires the concurrence of the external stakeholders that receive and review the specific set of performance metrics—OMB for PART metrics and the appropriations committee staffs for GPRA measures. To date, PA&E has not reviewed any of the metrics used by program and field office managers that are not also either GPRA or PART measures, nor has it tried to substitute them for specific GPRA or PART measures.

The PART, GPRA, and program/field office metrics focus primarily on assessing progress in meeting program objectives. They do not necessarily reflect progress in meeting DOE's five strategic themes in its Strategic Plan. To determine the feasibility of using program-based performance metrics to assess progress towards meeting the department's strategic themes, PA&E commissioned some conceptual research by an SES candidate group. That group tested a set of proposed measures for each of the five DOE strategic themes and applied these measures across DOE's major program offices to examine their applicability and reliability. In an October 2008 report, the group concluded that a measurable set of performance metrics could be:

- developed for the five strategic themes
- applied consistently across all major program and mission-support offices
- implemented and monitored electronically through the iManage program

A key component of OCFO's plan for DOE's performance assessment system calls for developing an accessible and flexible electronic management dashboard that will allow senior

managers to monitor program performance. As noted earlier, only the financial and human resource components are fully operational. The PMM system, with its GPRA and PART performance metrics, is currently being incorporated into iManage. But DOE has not yet established a timeframe for incorporating into iManage other performance measures used by DOE program and field office managers that are not maintained in PMM.

Conclusions and Panel Recommendations—DOE’s Performance Assessment System

Incorporating performance assessment data into iManage is a critical component of the CFO’s strategic vision for a uniform, consistent, and accessible department-wide database that supports program analysis and decisionmaking and strengthens performance. An effective performance assessment system requires flexibility to accommodate changes in programs, goals, prevailing conditions, and expectations. It also needs to be evaluated periodically to ensure that its key metrics are monitoring progress accurately and completely. The current PA&E effort to review the various PART and GPRA performance measures has been an important first step to assess the quality of DOE’s numerous performance metrics, align and consolidate them where possible, and purge metrics that are unused or no longer appropriate. Extending this “value mapping” to other metrics used by DOE Program Assistant Secretaries and field office managers is a logical next step. Using the results of these analyses, DOE senior leadership must then agree on the performance measures it will use to assess the department’s performance. Once internal agreement is reached, DOE can present the merits of its performance assessment system to its key external stakeholders in an effort to align DOE’s metrics with the measures currently being reported to stakeholders. Whatever the final outcome, OCFO must ensure that all performance assessment data are incorporated into iManage, and that the electronic dashboard remains sufficiently flexible for users to design custom reports to monitor program progress.

In January 2009, the Panel recommended that to enhance and secure efforts to improve DOE’s performance assessment system, OCFO should:

- **complete its assessment of all current performance metrics and systems used by DOE managers**
- **create a process to reach an agreement among DOE’s senior managers and with critical external stakeholders on the key components of the performance assessment system, and produce performance metrics that meet all internal and external requirements for monitoring program performance**
- **establish an explicit, acceptable, and feasible schedule for incorporating into the iManage program the remaining data required for the performance assessment system**
- **ensure that the system for supporting the management dashboard is sufficiently flexible to meet probable future changes and user friendly to encourage its use**

OCFO agrees with these recommendations.

STANDARD ACCOUNTING AND REPORTING SYSTEM

DOE implemented STARS in April of 2005 to replace the previous legacy accounting system DISCAS, the Departmental Integrated Standardized Core Accounting System.⁹² STARS uses commercially available software to provide the department with a modern, comprehensive financial management system that follows U.S Standard General Ledger (SGL) accounting conventions at the transaction level. Major components in STARS include purchasing transactions; accounts payable and receivable; and fixed asset and general ledger financial and accounting data. STARS produces all externally required financial reports.

OCFO staff reported that STARS has improved DOE's financial management activities. For example, STARS provides more detailed, centralized accounting data, standardized business practices, and more consistent reporting of accounting data on vendor invoices, accruals, and receivables to support OCFO's financial management analyses. However, the initial implementation of STARS encountered significant problems that resulted in a very long and costly transition period.⁹³

STARS Implementation Issues

The decision to effectuate the transfer from DISCAS to STARS during the middle of the fiscal year—April of 2005—rather than at the end of the fiscal year once the “books were closed” created the most critical system implementation problem for STARS. Other problems included implementing STARS before it had been fully tested and all staff users fully trained, and terminating DISCAS once STARS was implemented and not running parallel systems for some specified time period, which exacerbated problems with the reconciliation of data between the two systems.⁹⁴ Reconciling new STARS data with historical data in DISCAS was further complicated because STARS used a different coding system for individual transactions than the budget and reporting coding system used in DISCAS.

Another complication to STARS' implementation was that OCFO's Finance and Accounting Office had just undergone an A-76 review and was being transformed into a most efficient organization (MEO)⁹⁵ during 2004. The redistribution of certain accounting functions between headquarters and the field that accompanied the MEO transformation impacted the headquarters accounting staff and produced substantial staff turmoil. This environment undoubtedly added to the difficulties in implementing STARS.

⁹² The shift from DISCAS was motivated by the need to obtain new system architecture. Government accounting systems also were shifting to a standard general ledger accounting system, which would have required a major overhaul and upgrade of DISCAS. However, DISCAS was an outmoded system and DOE could no longer receive contractor support for it. It is not uncommon for agencies to adopt a new system when shifting to SGL accounting.

⁹³ STARS implementation problems led to significant costs overruns relative to initial plans and requested funding. Cumulative STARS and IDW costs from FY 2000 through FY 2008 were \$63.5 million. These substantially exceeded the initial amount requested of \$42.3 million and even the revised funding request of \$52.5 million.

⁹⁴ Finance staff in headquarters contend that terminating DISCAS forced users to rely on STARS data and hastened the conversion. Any major system conversion faces some transitional problems, but the STARS transition problems were unusually severe, particularly from the field users perspective.

⁹⁵ An MEO emerges from competitive sourcing reviews following guidance from OMB's Circular A-76.

The net result of these and a myriad of other challenges was that the department failed to obtain a clean audit opinion on both its FY 2005 and FY 2006 financial reports. OCFO staff formed teams with headquarters and field program staff to address those critical STARS implementation issues that generated the qualified audit opinions, and worked aggressively over the next 18 months to resolve the financial audit issues. DOE received a clean audit opinion for FY 2007 and 2008, and STARS is now fully functioning as the department's financial accounting data system.⁹⁶ The department's working capital fund fully supports STARS' current annual operating costs of \$4.5 million.

Current System Issues

Interviews with field CFO staff and program area staffs revealed that some system problems remain, particularly in the areas of accounting for reimbursable activities, performing a recasting⁹⁷ of major appropriations, and obtaining time-sensitive financial reports from the IDW using STARS data. Academy staff also found some issues with training for systems users. Field and headquarters staff interviewed indicated that DOE did a reasonably good job providing initial STARS training for users. However, there was general agreement that refresher training and training on new components within STARS was needed for existing staff as well as basic system training for new hires.

Academy staff interviews also found that OCFO has no formal mechanism to obtain ongoing feedback from the entire STARS user community or a means to report back to system users. Instead, OCFO relies on less formal means. OCFO staff have solicited STARS user feedback on occasion, and they also have used the annual meeting of CFO field and headquarters staffs to provide a forum for raising and addressing STARS issues. However, these efforts have been sporadic and informal. There also are STARS "power user groups" of headquarters and field staff that have developed a network for sharing information on STARS issues and potential solutions they have developed.

OCFO staff are well aware of many of the ongoing limitations and other issues with STARS. In the case of problems in handling recasts of appropriations, OCFO is currently working to develop some solutions to make these accounting tasks less labor intensive. With respect to training, OCFO staff acknowledge the need for ongoing refresher training, but cite funding as a major issue.

The decision to terminate DISCAS and operate STARS independently encouraged a number of headquarters program and field offices to continue using their own automated accounting systems (so called "cuff systems"). Initially, field and headquarters program budget staff used these systems to verify the accuracy and reliability of the financial data loaded into STARS. While some staff still retain their cuff systems for this purpose, many others use their systems to

⁹⁶Some field staff reported, however, that NNSA continues to use its own accounting system and feeds data into STARS periodically.

⁹⁷ Recasting appropriations occurs when Congress revises a current program appropriation structure by merging some or all of one program into another, creating a new program, combining a new program with parts of an existing one, or terminating parts or all of an existing program appropriation. Undelivered order balances and related accounting data have to be "recast" in order to be reported in the new appropriation structure.

complement or supplement the financial accounting data in STARS. In some cases, the cuff systems provide more detailed data than are available in STARS.⁹⁸ In other cases, the cuff systems generate customized management reports using STARS financial data, but they are more easily accessed and readily available than trying to develop similar custom reports through the IDW.

Conclusions and Panel Recommendations—Standard Accounting and Reporting System

DOE has worked exceedingly hard to rectify STARS' implementation problems. OCFO, in particular, is to be commended. The department's experience with STARS has provided some valuable lessons as it moves forward to implement the rest of the iManage program. With respect to STARS, the Panel believes that some additional work still remains.

The continued use of cuff systems that duplicate the information available or the reporting capabilities of STARS, the IDW,⁹⁹ or other department-wide data systems in the iManage program is inconsistent with the fundamental objectives of iManage. The critical issue for STARS implementation is whether these cuff systems complement and supplement the STARS program by providing unique capabilities or data not currently available, or merely substitute for data and capabilities already extant within STARS. The Panel believes that systems that fall into the latter category should be terminated.

The Panel supports the "power user group" concept. Capitalizing on the knowledge and experience of system users is a critical component of system development and enhancement. However, the Panel believes that this type of communication needs to be extended to a wider users group to provide a more complete and consistent way to identify and address a range of technical issues.¹⁰⁰ The Panel also believes that OCFO needs to perform periodic surveys of STARS system users to identify issues and solicit suggestions to improve STARS, and should provide feedback on how it plans to act upon the input received.

In October 2008, the Panel recommended that OCFO:

- **develop a continuous training approach for STARS to ensure that new staff are trained and current users are apprised of recent updates/changes to the system and its capabilities**

⁹⁸ Some field staff have indicated that their internal "cuff" systems track more detailed transactional data for contractor activities at their site than is collected for STARS.

⁹⁹ The IDW is the central data warehouse that links common data elements from each of the department's corporate business systems and serves as a "knowledge bank" of information about portfolios, programs, or projects including budget execution, accumulated costs, performance achieved, and critical milestones met. The IDW Portal provides personalized dashboards, messaging (thresholds/alerts), reporting, graphing, and data exchange capabilities.

¹⁰⁰ OCFO does have a "help desk" operation for obtaining, processing, and acting on system change requests (SCRs) but, as with most centralized help desk-type operations, there are issues of priorities for resolving issues. The Panel is suggesting that some regularly scheduled surveys can obtain more information on issues and alternative solutions that do not require a formal system change. A broader network, perhaps modeled after the "power user groups" can address operational issues with more immediate workable solutions and thus supplement, if not reduce work orders for the formal SCR process.

- **distribute semi-annually to STARS users a request for information on operational issues and suggested approaches for resolving them**
- **develop a survey of “cuff systems” to identify how many still exist and which ones complement and which ones duplicate data and/or reporting capabilities already within STARS. Totally duplicative systems should be terminated.**

These recommendations also could be applied to each new system that is developed and incorporated into the iManage program, thereby strengthening the CFO’s strategic vision for enhancing DOE’s financial management operations. OCFO agrees with the first two recommendations and already has begun to survey users on a range of issues, including the use of “cuff systems.” OCFO staff report their most recent survey found no “cuff systems” duplicating core STARS functionality.

OCFO STAFFING AND ORGANIZATIONAL ISSUES

Over the last five years, the OCFO workforce has faced several leadership changes and two major reorganizations. The first reorganization occurred in FY 2005 and affected primarily the finance and accounting staff in OCFO’s Finance and Accounting Division and some field CFO accounting staff. This reorganization emanated from an A-76 review of OCFO’s finance and accounting activities that resulted in the creation of an MEO for those functions. As discussed earlier, the FY 2007 reorganization, which was designed to increase OCFO’s analytical capabilities, resulted in a new Cost Analysis Office, a restructured Budget Office, and a new Associate CFO position to supervise those offices. It also created a new program office within OCFO—the Office of Loan Guarantee. Table 5.2 shows the onboard strength for OCFO’s major offices from FY 2000 to FY 2008 and the first quarter of FY 2009.

Table 5.2
OCFO Onboard Staffing

Organization	End of FY 2000*	FY 2001*	FY 2002*	FY 2003*	FY 2004*	FY 2005*	FY 2006	FY 2007	FY 2008	12/31/08 On-Board
Front Office	5	7	7	6	7	7	6	6	5	4
Internal Review	16	16	17	18	16	19	18	16	16	16
Finance & Accounting	86	90	86	80	71	91	81	78	89	87
Program Analysis & Evaluation	4	4	22	23	18	12	15	15	15	17
Budget	43	43	44	47	43	41	40	35	37	42
Corporate Information Systems	24	22	26	30	31	27	29	27	26	25
Financial Policy	16	14	15	16	15	12	15	15	17	16
Business Operations Center	12	12	15	14	13	10	7	7	8	7
Subtotal, Traditional CFO Staffing Functions	206	208	232	234	214	219	211	199	213	214
Cost Analysis	-	-	-	-	-	-	-	-	3	4
Loan Guarantee Program	-	-	-	-	-	-	-	1	16	16
TOTAL	206	208	232	234	214	219	211	200	232	234

*Adjusted for comparability with current structure

As discussed earlier, DOE's financial management resources extend far beyond the CFO's office. This more extensive CFO community includes field CFO staff and budget and financial management staff within the program offices. Based on data it reported to OMB, DOE had about 1,000 FTE available for financial management activities in FY 2008, and OCFO staff indicated that the staffing levels had not changed significantly over the last several years.

MEO for Financial Accounting

The MEO for financial accounting is now fully functioning after some initial transitional turbulence. OCFO staff indicated that uncertainty about job security as the MEO was being created generated some additional staff turnover in the Finance and Accounting Division.

Although STARS has automated a number of financial transactional processes, substantial portions of the MEO staff (primarily located in Germantown, MD) are still engaged in transactional budget and accounting activity, and there are substantial elements of financial accounting activities scattered throughout the field offices. Once DOE has unified and consolidated all its budget, accounting, and financial data systems within iManage, it may be possible to move more of these transactional activities to a consolidated financial center or set of centers within the DOE field structure. Some of the benchmarked agencies, e.g., HUD and HHS, have followed this approach with effective results.

Enhanced Analytical Capability

As mentioned earlier, the CFO has taken deliberate measures to strengthen OCFO's analytic capability. Over the previous year, he has created a new analytical office for cost analysis that is intended to extend OCFO's analytical capabilities to the budget formulation process and improve project management selection and control over costs. In addition, changes were made within the Budget Office and the PA&E Office to reflect a greater emphasis on analytic capability. The departures of some budget staff allowed OCFO to hire new staff with these skills.

Organizational Placement of the Office of Loan Guarantee

Given its unique focus (loan guarantees) and its broad program mission that spans several DOE program areas, this office did not fit well organizationally within any of the existing DOE program offices. Its initial placement within OCFO provided it department-wide visibility to facilitate its start-up. DOE has established a Credit Review Board, comprised of the two Undersecretaries, the DOE Chief of Staff, CFO, General Counsel, and Assistant Secretary for Policy Analysis and International Affairs, which recommends specific loan guarantees to the Secretary for approval. Loan guarantee staff note that no Program Assistant Secretaries sit on the board in order to avoid excessive or undue program influence. The allocation of credit subsidies/loan guarantees among eligible technologies is established in the appropriation.

Hiring and Retention Issues

OCFO has identified hiring as a major issue. The CFO has been personally involved in OCFO's recruiting efforts, including recruiting trips to college campuses. OCFO has used intern and other programs in an effort to obtain high-quality, new staff. In addition, it is currently negotiating an agreement to obtain hiring services from the Bureau of Public Debt as part of a pilot program being conducted by HQ HRO to address department-wide hiring issues, which were discussed in Chapter 3.

Recruiting into budget and finance positions is a government-wide issue. To varying degrees, all agencies contacted during this study had problems recruiting and retaining these skilled personnel, primarily in the Washington, D.C. area. Agencies have approached their hiring problems in different ways. Some have relied on their field operations as a source of new hires for headquarters. NASA Centers recruit people in the field, and then headquarters recruits from the Centers. Staff details from field offices to headquarters sometimes proved to be precursors to actual transfers.

Other agencies have moved their labor-intensive transactional activities to the field where the government is more competitive in its hiring efforts. For example, HUD has successfully moved its financial transactional activity to field accounting centers. HUD officials reported that they often have a competitive advantage when recruiting outside of the Washington, D.C. metropolitan area. DOE's field CFO offices also appear better able to recruit, hire, and retain staff than headquarters OCFO. Only NETL indicated that it faced some possible hiring issues, but only at its Morgantown, WV campus.¹⁰¹

Another recruitment strategy has been to hire staff without the traditional finance and accounting backgrounds. The HUD CFO office, for example, has emphasized recruiting from schools of public administration because it has found that it is "easy to turn a person with a public administration degree into a budget person." However, HUD's HR office has raised some issues with this recruiting approach. On the other hand, HHS indicated that the ideal analyst was someone with expertise in a program area. Consequently, HHS budget and program evaluation offices included HHS program staffs in their recruiting pools. All of the agencies contacted made extensive use of intern programs, with some having a "financial management intern" program to bring in staff at junior levels.

In addition to hiring difficulties, staff turnover has increased in OCFO since FY 2006. As Table 5.3 shows, OCFO's total staff losses increased from 21 in FY 2006 (a 9.6 percent turnover rate) to 33 (a 15.6 percent turnover rate) in FY 2007. Transfers out have accounted for an increasing share of the total staff losses, increasing from 2.7 percent in FY 2006 to 6.5 percent in FY 2008.

¹⁰¹ NETL operates out of two locations: Morgantown, WV and Pittsburgh, PA.

Table 5.3
OCFO Staff Turnover Data

	FY 2005	FY 2006	FY 2007	FY 2008	5 Months of FY 2009
End Strength	219	211	200	232	234
Total Losses		21	33	25	17
Separations		15	23	12	12
Transfers		6	10	13	5
Turnover Rate		9.59%	15.64%	12.50%	7.33%
Separations Rate		6.85%	10.90%	6.00%	5.17%
Transfer Rate		2.74%	4.74%	6.50%	2.16%

The recent reorganizations—the MEO initiative and the increased emphasis on analytics—caused considerable disruption to the Finance and Accounting Division and the Budget Office. The MEO reorganization generated substantial uncertainty about job security and roles, especially among headquarters staff.¹⁰² This uncertainty caused some finance and accounting staff to seek other employment, and the subsequent staff turnover added to workload issues, which compounded the stress of remaining staff.

The increased emphasis on analytical work within OCFO had a similar impact on the Budget Office. The management-directed restructuring of skill sets throughout OCFO was implemented in what some thought was a somewhat abrupt fashion, particularly within the Budget Office. This type of “house-cleaning” restructuring appears to have created some staff resentment and distrust of management and precipitated additional turnover.

Conclusions and Panel Recommendations—OCFO Staffing and Organizational Issues

Enhanced Analytic Capability

OCFO needs enhanced analytical capabilities to fulfill its critical financial management mission-support functions, but this need for improved analytical capability exists throughout the department. The complexity and diversity of DOE programs require a range of analytical techniques and approaches to manage them effectively. Project management and cost control issues continue to plague the department. Strengthening the department’s analytical capabilities is clearly needed to address these issues. While there is general agreement about the need to enhance analytical capability within DOE to improve program operations, it is not clear that the best approach is to develop this expanded analytic capability principally within one office, i.e., OCFO. Managing DOE’s programs requires the analytic expertise of staff with a broad range of knowledge and experience. Given the complexity of DOE programs, the Secretary may be best served by obtaining analytical insights from several sources.

¹⁰² Some field finance and accounting staff also were affected because the MEO involved shifting some responsibilities from the field to headquarters. But most of the impact was at headquarters, and the field appeared to experience less staff turnover.

In January 2009, the Panel recommended that DOE continue its ongoing efforts to strengthen analytical capabilities within OCFO, the other mission-support offices, and program and field offices to ensure that the Secretary receives the diverse analytical views needed to manage DOE's many complex programs.

OCFO agrees with the need to strengthen analytic capabilities both within OCFO and throughout the department.

Staffing and Recruitment

OCFO has recognized the existence and extent of the hiring and retention issues associated with the department's highly skilled financial management staff, both in headquarters and the field offices, and has taken some necessary steps to address them. To help mitigate the effects of the projected gap between the anticipated financial management workload and the staff available to perform it, OCFO must be able to leverage resources across the department. This demands that the field CFO staff have the knowledge and skills necessary to do the work. The annual conference of the department's financial management staffs and the increased involvement of field CFO staff in the headquarters budget formulation process have opened new lines of communication between headquarters and field CFO staff and provided a better understanding of shared critical CFO mission-support functions. More important is the Panel's prior recommendation to develop greater analytical capability throughout the department, which includes field CFO staffs. With the appropriate analytical skills, field CFO resources can be leveraged as part of team efforts to address specific issues. The Panel believes that field CFO staff need to be directly involved with the new long-term planning and programming components of the budget formulation process that OCFO plans to develop. Rotational assignments, joint team efforts, and the use of technology (teleconferences/video conferences) should be used regularly to include field CFO staff in these critical headquarters decision processes.

For the most part, field CFO offices appear better able to recruit, hire, and retain staff than headquarters. DOE field staff report few hiring problems as government jobs are generally very competitive in the field, and the supply of quality applicants is either more readily available or easier to attract. With lower turnover, field CFO offices also appear better able to accommodate the impending retirement wave of experienced CFO staff than headquarters.

For some field sites, promotion opportunities are a more common issue than their ability to hire staff. DOE may find useful some of the creative hiring and retention strategies used by the benchmarked agencies, including the use of rotational assignments and promotions in headquarters as part of its hiring strategies for field and headquarters CFO staff.

The Panel recommends that the CFO:

- **continue to focus on the total CFO community as an integrated, corporate, mission-support team**
- **capitalize on the field's hiring advantages to address hiring issues at headquarters by looking to the field to bring in new hires, increasing the use of rotational assignments, and/or recruiting among experienced, skilled field CFO staffs to help fill specific staffing needs in OCFO. DOE should consider transferring budgetary resources to field CFO's as necessary to accomplish these goals.**
- **assess the option of shifting work to areas where DOE has a greater competitive advantage. This should include exploring the creation of a field center(s) to handle financial and accounting transactional activities.**
- **explore alternatives other than those currently being pursued to broaden its potential recruiting pools and expand recruiting efforts**

To further expand its hiring opportunities, OCFO could pursue some of the techniques successfully followed by other federal agencies seeking similar highly-skilled talent, including:¹⁰³

- recruit from the program offices staff who are knowledgeable in programs and convert them to budget analysts
- use the change in the allotment process (previously recommended) as a way to devolve some transactional activity to program offices. In turn, this could be a way to bring program people into the program budget offices, which could become another source for recruiting.
- expand its use of professional associations' websites, such as the American Association for Budget and Program Analysis (AABPA) website, to recruit entry-level and experienced finance, budget, and analytical staff¹⁰⁴
- advertise in trade journals such as the *Journal of Public Budgeting and Finance*¹⁰⁵
- regularly recruit in graduate schools of public administration, particularly those with strong quantitative analysis programs

Office of Loan Guarantee Placement

The placement of the Office of Loan Guarantee, a functioning program office, within OCFO, a mission-support office, is not consistent with sound management principles. Having the Office of Loan Guarantee report to the CFO diverts attention from OCFO's key mission-support functions and can create potential conflicts of interest issues regarding support priorities.

¹⁰³ Many of these efforts require some coordination between OCFO and OCHCO.

¹⁰⁴ AABPA is the professional organization for budget professionals and program analysts. It maintains a website and posts job announcements on it for use by members.

¹⁰⁵ The *Journal of Public Budgeting and Finance* is sponsored by the Association for Budgeting and Financial Management of the American Society for Public Administration and the AABPA. It is supported by the School of Public Affairs of American University and the School of Public and Environmental Affairs of Indiana University.

This program office does not have any unique relationships with the other OCFO offices that might require closer coordination with them. In addition, the workload for this office will grow as the program matures and new loan guarantee programs emerge in other DOE program areas, e.g., the Advanced Technology Vehicles Manufacturing Loan Program, as well as from the substantial increase in resources it has received from Recovery Act funding. The Panel believes that the office may be better able to interact with other DOE programs, e.g., Science programs funding advanced technologies, if it is part of a DOE program organization.

In January 2009, the Panel recommended that DOE remove the Office of Loan Guarantee from the OCFO to an entity with program responsibilities.

OCFO disagrees with this recommendation.

CHAPTER 6

CONCLUDING PANEL THOUGHTS

The House and Senate Energy and Water Development Appropriations Subcommittees requested this study to help DOE's three major mission-support organizations improve their operations to better meet the current and future needs of the department. The passage of the Recovery Act only increases the importance of having DOE's mission-support offices working in the most effective, efficient, and timely manner as possible. While following rules and regulations is essential, the foremost task of the mission-support offices is to support the department's mission, i.e., the programs that DOE is implementing, whether in Washington D.C. or in the field.

The Panel has made several recommendations in each of the functional areas examined and some overarching recommendations for the corporate management of the mission-support offices that it believes will result in significant improvements to DOE's mission-support operations. The Panel believes that adopting these recommendations will not only make DOE a better functioning organization, but that most of them are essential if DOE is to put its very large allocation of Recovery Act funding to its intended uses as quickly as possible.

DOE officials have agreed with most of the Academy Panel's recommendations. Although DOE has already begun to implement some of the recommendations, there is no assurance that the department will implement the balance. Without an Undersecretary for Management, one of the Panel's key recommendations, there is no person other than an already overburdened new Secretary to oversee the implementation of recommendations among these disconnected offices. And even when the Deputy Secretary position is filled, history has shown that the occupant of that position does not always have time for management matters. Until the department acts upon the recommendation in this report to create a focal point for management within the department, it will be up to the Appropriations Subcommittees to assure themselves that the recommendations they support are being implemented.

During the EERE and EM studies, those program offices developed action plans for the Panel's recommendations and other initiatives that included the status of their implementation. These documents served as valuable tools for program managers to monitor their change management efforts and inform congressional Subcommittees of their progress. A similar approach will be equally useful for the recommendations made in this report.

The Panel recommends that within 90 days after the issuance of this report, the department of Energy submit to the House and Senate Energy and Water Development Appropriations Subcommittees an action plan detailing the recommendations that will and will not be implemented. For the recommendations being implemented, the plan should detail who will be responsible for each recommendation and provide a timeline for its accomplishment. For recommendations not being implemented, the plan should state the reasons for those decisions and what alternative approaches DOE would recommend to address the issues underlying the recommendations.

LIST OF ACADEMY PANEL RECOMMENDATIONS

Due to the significant variations in how the three mission-support offices were performing against the Management Mandates, the Panel's approach to reviewing the offices differed. The far deeper, more serious, and longstanding nature of the issues identified in the Office of the Chief Human Capital Officer (OCHCO) kept the Panel's focus and its recommendations at a broader leadership and strategic vision level. In both the Office of Procurement and Assistance Management (OPAM) and the Office of the Chief Financial Officer (OCFO), the Panel was able to look in more detail at some of those offices' systems and procedures. Therefore, the Panel made many more detailed recommendations for those functions that address how processes should be changed.

MISSION SUPPORT—GENERAL

Coordinating Mission-Support Functions

1. Create an Undersecretary for Management (USM) position.
2. Create an Operations Management Council, chaired by the Deputy Secretary and consisting of the leadership of the mission and mission-support organizations, to determine and assess mission-support requirements that will enable DOE to successfully accomplish its mission.
3. Create a Mission-Support Council, chaired by the USM and consisting of the leadership of the mission-support organizations and their counterpart administrative organizations in the program and field site offices, to provide a forum where the department's senior administrative officials collaborate on mission-support issues impacting the department.

Developmental Assignments for Career Staff

4. As part of DOE's career development program for career staff, include rotational assignments, details, and other mechanisms to ensure that staff gain an appropriate and important understanding of DOE's mission, mission-support, headquarters, and field operations.

Long-Term Strategy for Mission-Support—Shared Service Centers

5. Begin to develop a long-term approach for mission-support service delivery throughout the department. As part of that analysis, DOE should examine the pros and cons of a shared service center(s) for its mission-support activities.

Departmental Management Analysis Capability

6. Create as soon as possible a department-level capability to analyze both administrative and program offices' management, structures, and processes to improve their effectiveness in producing mission outcomes.

HUMAN RESOURCES

Transformation Action Plan

1. To better serve and regain the confidence of its customers, OCHCO should develop a Transformation Action Plan (TAP) to address problems within OCHCO's operations.
 - a. Include in the TAP an initiative to develop a comprehensive automation strategy that addresses department-wide human resources/human capital (HR/HC) needs.
 - b. Include within the TAP an initiative to develop a comprehensive inventory of the program-specific data analyses its staff should be doing and the actions that must be taken (including specific training and cultural change efforts) to transform OCHCO into an HR/HC organization that leads rather than simply responds to its customers' HC program and mission needs.
 - c. Ensure that OCHCO's Office of Strategic Planning and Policy is properly staffed to lead the development and execution of a comprehensive HR information technology strategy.
 - d. Seek advice from Oracle/other system integrators and agencies that have deployed the PeopleSoft/Oracle HR system on how to fully explore the capabilities of the system.

Sharing Work with Field Human Resources Offices

2. In consultation with its customers, OCHCO should develop alternatives for how its current staffing-related workload for DOE headquarters can be shared among the field human resources offices.

Benchmarking Executive Resource Management Practices

3. OCHCO should lead an effort to benchmark executive resource management practices at other federal agencies, including the composition of their Executive Resources Boards; develop strategies to effect more rigorous executive resource management practices; and assume its proper leadership role in this critical area.

Human Resources Steering Committee

4. If DOE does not create an Operations Management Council, (see Mission-Support recommendation 2 above), then DOE should create an HR Steering Committee to corporately review HR initiatives and strategies to ensure that they are aligned with the department's mission and goals.

CONTRACTING AND ACQUISITION

The Chief Acquisition Officer

1. Develop alternatives for ensuring that the acquisition function has adequate access to departmental leadership and fully participates in appropriate aspects of departmental decisionmaking. The alternatives should be developed in the context of the Mission-Support recommendations 1-3 above.
2. Designate the Director of OPAM as the Deputy Chief Acquisition Officer (CAO) to ensure that a full-time senior acquisition professional is available to perform CAO duties when the CAO is absent or the position is vacant, and to formally recognize the role of the Senior Procurement Executive in supporting CAO goals and objectives.

Improving OPAM Policies and Practices

3. Assess the status of all existing policy issuances and develop a prioritized schedule for updating them.
4. Ensure that:
 - a. balanced scorecard core objectives for customer service are measured every year
 - b. Procurement Action Lead Time (PALT) standards are developed and measured from receipt of the procurement request to contract award
 - c. PALT standards are developed and applied to the award of major site and facility management contracts
5. Develop a centralized intranet capability to:
 - a. promote greater consistency in acquisition practices by establishing guidance and related templates that could be accessed by procurement staffs and their customers
 - b. foster increased communication among procurement staffs and with OPAM
 - c. promote increased sharing of best practices and lessons learned
6. Elevate the organizational placement of the acquisition career management (ACM) function and assign sufficient resources to ensure that ACM and acquisition training responsibilities are effectively managed.

Developing the Capacity of Field Procurement Offices

7. Require Heads of Contracting Activity (HCAs) to submit plans for establishing and maintaining internal policy oversight and control, appropriate staffing, and robust processes to perform preaward reviews of major procurement actions as well as to ensure the quality and consistency of all procurements.

Improving the Business Clearance Review Process

8. Revise the business clearance review (BCR) process to:
 - a. eliminate financial assistance instruments, interagency agreements, and subcontract actions from the BCR process, and identify less formal review

mechanisms for examining any high-risk transactions that fall into these categories

- b. revise Chapter 71.1 of the Acquisition Guide to:
 - i. narrowly define the term “mandatory comment” to relate to the document’s lack of compliance with law, regulation, Comptroller General decisions, or DOE-published policy
 - ii. require that mandatory comments be accompanied by the exact phrasing and/or steps that should be taken to bring the document into compliance
 - iii. require that all mandatory comments be addressed by an appropriate revision to the document
 - iv. require that the HCA/contracting officer provide OPAM with a written rationale for not addressing other comments that are furnished during the BCR process
 - v. require that OPAM provide one set of comments for each document submitted, with approval granted to proceed with processing the action conditioned upon iii. and iv. above
- c. adopt a more simplified process for review and approval of acquisition plans
- d. revise the BCR process and accompanying guidance by:
 - i. limiting the review of documents associated with competitive procurements to the acquisition plan, the draft request for proposal (RFP) or RFP (if no draft is issued), the Source Evaluation Board (SEB) report, and the source selection statement
 - ii. appointing OPAM buddies as members of integrated project teams/SEBs who are fully empowered to participate; advise SEB and procurement staff throughout the process; and coordinate as appropriate with OGC and other headquarters offices without formal BCR processing
- e. ensure that buddies visit their assigned sites on a regular basis
- f. develop templates and samples to provide additional guidance to address those issues and concerns that generally surface during BCRs
- g. accelerate development of a tracking system for formal BCR submissions. In the interim, more stringent procedures should be adopted for logging in and reporting the current status of BCRs
- h. formally commit to the milestones for BCRs that are established for competitive procurements
- i. establish balanced scorecard performance metrics for BCR processing and report performance against them on an annual basis
- j. initiate pilot programs to test major changes to the BCR process
- k. conduct with the EM HCA a joint review of EM’s entire process for reviewing, submitting, and managing EM actions subject to the BCR in order to streamline existing processes and eliminate communication problems. Flowcharting the process is highly recommended.

Improving Headquarters Procurement Services

9. Develop improved procedures for the Headquarters Procurement Services Office, including improved planning, a customer service improvement program, better reporting, and addressing training needs. (See details in Chapter 4.)

Managing the Deployment of the Automated Procurement System

10. Ensure that deployment of DOE's new automated procurement system (STRIPES) at each field site is fully supported with the requisite classroom training and onsite technical assistance. OPAM: should:
 - a. perform a gap analysis that identifies the existing reporting and workload management capabilities that are not met by the current version of the PRISM software
 - b. determine the extent to which newer versions of the PRISM software address the identified gaps
 - c. if appropriate, upgrade the software and/or develop IDW reports that address the identified gaps

FINANCIAL MANAGEMENT

Improving the Budget Formulation Process

1. Establish formal, long-term planning, programming and evaluation components to augment the current budget formulation process and issue the program and fiscal guidance in February to initiate a new program, planning, budget, and evaluation system. As part of the new system, DOE should:
 - a. integrate the Critical Decision process for major capital asset projects into the proposed long-term planning, programming, and evaluation component of the DOE budget formulation process
 - b. eliminate the separate field budget call and incorporate any remaining data needs in a technical appendage to the program and fiscal guidance memorandum

Improving and Simplifying the Budget Execution Process

2. Meet with appropriations staff to reconcile the differences (between DOE base table and congressional report table) in their reported numbers of detailed congressional spending controls. Depending upon the success of that effort, DOE should work with appropriations staff to reduce congressional controls to only items of current congressional concerns.
3. Make Program Assistant Secretaries recipients of budget allotments for their respective programs.
4. Eliminate spending controls by year of appropriation for no-year funds.
5. Include reprogramming requests in the existing Executive Secretariat's Electronic Document Management System.

6. Convene a meeting among headquarters and program staffs early in the development process for all reprogramming actions to identify and resolve potential substantive and sensitive issues before they become formalized in a program office request.

Improving Performance Assessment Systems

7. To enhance and secure efforts to improve DOE performance assessment system, OCFO should:
 - a. complete its assessment of all current performance metrics and systems used by DOE managers
 - b. create a process to reach an agreement among DOE's senior managers and with critical external stakeholders on the key components of the performance assessment system, and produce performance metrics that meet all internal and external requirements for monitoring program performance
 - c. establish an explicit, acceptable, and feasible schedule for incorporating into DOE's integrated management information system (the iManage program) the remaining data required for the performance assessment system
 - d. ensure that the system for supporting the management dashboard is sufficiently flexible to meet probable future changes and user friendly to encourage its use

Improving the Automated Financial Management System

8. Develop a continuous training approach to ensure that new staff are trained and current users are apprised of recent updates/changes to DOE's automated financial management system (STARS) and its capabilities.
9. Distribute semi-annually to STARS users a request for information on STARS operational issues and suggested approaches for resolving them.
10. Develop a survey of "cuff systems" to identify how many still exist and which ones complement and which ones duplicate data and or reporting capabilities already within STARS. Totally duplicative systems should be terminated.

Strengthening the CFO Function

11. Continue ongoing efforts to strengthen analytical capabilities within OCFO, the other mission-support offices, and program and field offices to ensure that the Secretary receives the diverse analytical views needed to manage DOE's many complex programs.
12. Reassign the Office of Loan Guarantee from the OCFO to an entity with program operation responsibilities.
13. Continue to focus on the total CFO community as an integrated corporate mission-support team.

Improving the Recruitment and Deployment of CFO Staff

14. Capitalize on the field's hiring advantages to address hiring issues at headquarters by looking at the field to bring in new hires, increasing the use of rotational assignments, and/or recruiting among experienced, skilled field CFO staffs to help fill specific staffing

needs in OCFO. DOE should consider transferring budgetary resources to field CFO's as necessary to accomplish these goals.

15. Assess the option of shifting work to areas where DOE has a greater competitive advantage. This should include exploring the creation of a field center(s) to handle financial and accounting transactional activities.
16. Explore alternatives other than those currently being pursued to broaden OCFO's potential recruit pools and expand recruiting efforts. (A list of possibilities is included in Chapter 5.)

CONCLUDING COMMENTS

Tracking the Implementation of Recommendations

1. Submit to the House and Senate Energy and Water Development Appropriations Subcommittees within 90 days after the issuance of this report an action plan detailing the recommendations that will and will not be implemented. For the recommendations being implemented, the plan should detail who will be responsible for each recommendation and provide a timeline for its accomplishment. For recommendations not being implemented, the plan should state the reasons for those decisions and what alternative approaches DOE would recommend to address the issues underlying the recommendations.

PANEL AND STAFF

PANEL

Jonathan Breul, *Chair**—Executive Director, IBM Center for The Business of Government and Partner, IBM Global Business Services; former positions with U.S. Office of Management and Budget: Senior Advisor to the Deputy Director for Management; Chief, Evaluation and Planning Branch, General Management Division; Senior Management Analyst. Former Senior Grants Policy Specialist, Office of the Assistant Secretary for Management and Budget, U.S. Department of Health and Human Services

Howard Messner*^Φ—Former President, National Academy of Public Administration; Executive Vice President and Chief Operating Officer, American Consulting Engineers Council; Assistant Administrator for Administration and Resources Management, U.S. Environmental Protection Agency; Comptroller, U.S. Department of Energy; Assistant Director for Management Improvement and Evaluation, U.S. Office of Management and Budget

Allan Burman*—President, Jefferson Solutions. Former positions with U.S. Office of Management and Budget: Administrator for Federal Procurement Policy; Acting Administrator, Office of Federal Procurement Policy; Deputy Administrator, Office of Federal Procurement Policy; Chief, Air Force Branch; Coordinator for Research and Development Programs, Air Force Branch; former Federal Executive Fellow, Brookings Institution; Special Assistant to the Director of Defense Education, Office of the Secretary of Defense, U.S. Department of Defense

Dwight Ink*—President Emeritus and former President, Institute of Public Administration. Former Assistant Administrator, Bureau for Latin America and the Caribbean, U.S. Agency for International Development; Acting Administrator, U.S. General Services Administration; Director, U.S. Community Services Administration; Assistant Director for Executive Management, U.S. Office of Management and Budget; Assistant General Manager, U.S. Atomic Energy Commission; Assistant Secretary for Administration, U.S. Department of Housing and Urban Development; Director, College of Public Affairs, Office of Continuing Education and Research, The American University; Chair, South Carolina Commission on City Charter Reform; Director of several Presidential Commissions and Vice President of two government corporations

C. Morgan Kinghorn, Jr.*—Chief Operating Officer, Grant Thornton Global Public Sector. Former President, National Academy of Public Administration; Partner, IBM Business Consulting Services; Chief Financial Officer and Assistant Commissioner and Controller, U.S. Internal Revenue Service; Assistant Director for Financial Management, U.S. Office of Management and Budget; former positions with the U.S. Environmental Protection Agency: Deputy Assistant Administrator for Administration and Resources Management, Assistant Administrator (Acting), Budget Examiner and Acting Branch Chief, Environment Branch; Budget Examiner, Defense Programs, U.S. Office of Management and Budget; Special Assistant to the Commissioner of Education, Department of Health, Education & Welfare

* *Academy Fellow*

^Φ Mr. Messner passed away during the course of this study.

Janice Lachance*—Chief Executive Officer, Special Libraries Association (SLA); Strategic Planning and Organizational Development Consultant, Analytica; former positions with U.S. Office of Personnel Management: Director, Deputy Director, Chief of Staff, Director of Communications and Policy; former Director of Communications, Congressional and Political Affairs, American Federation of Government Employees, AFL-CIO; Communications Director, Congressman Tom Daschle; Director and Counsel, Subcommittee on Antitrust and Restraint of Trade, Committee on Small Business, U.S. House of Representatives; Legislative Assistant, Congressman Jim Mattox; Administrative Assistant, Congresswoman Katie Hall; current Member of the Board of Directors of the National Academy of Public Administration and The Center for Association Leadership

Peter Marshall*—Rear Admiral (retired), U.S. Navy Civil Engineer Corps; former Deputy Chief of Civil Engineers, U.S. Navy; Senior Vice President, Parsons Brinckerhoff Construction Services Corporation; Vice President of Operations, Burns and Roe Services Corporation; Vice President, Dewberry; Fellow, Society of American Military Engineers; Licensed Professional Engineer, Virginia and California

Deborah J. Spero—Former Deputy Commissioner, U.S. Customs and Border Protection, Department of Homeland Security; Lead Executive, Transition Management Office, U.S. Customs Service; Assistant Commissioner, Office of Strategic Trade, U.S. Customs Service; Assistant Commissioner, Office of Human Resources Management, U.S. Customs Service.

STAFF

Lena E. Trudeau, Vice President—Ms. Trudeau leads the National Academy's service delivery organization, supervises the conception and execution of strategic initiatives, opens new lines of business and drives organizational change. In addition, Ms. Trudeau is a founder of the Collaboration Project, an independent forum of leaders committed to leveraging web 2.0 and the benefits of collaborative technology to solve government's complex problems. Ms. Trudeau's previous roles include: Program Area Director, National Academy of Public Administration, Vice President, The Ambit Group; Marketing Manager, Nokia Enterprise Solutions; Principal Consultant, Touchstone Consulting Group; Consultant, Adventis Inc.; and Associate, Mitchell Madison Group.

J. William Gadsby,* *Former Vice President for Academy Studies, National Academy of Public Administration (retired)*—Responsible Academy Officer on all Academy management studies; former Senior Executive Service; Director, Government Business Operations Issues, Federal Management Issues and Intergovernmental Issues, U.S. General Accounting Office.

Alethea Long-Green, Program Area Director—Director for Human Resources Studies, National Academy of Public Administration—former Director of Human Capital Planning and Management, U.S. Department of Commerce; Director of Human Resources, Chief of the Workforce Effectiveness Division, U.S. Patent and Trademark Office; President, Strategic

* *Academy Fellow*

Technical Resources, Inc.; Vice President, Tech International, Inc.; Consultant to Department of Defense contractors.

Albert J. Kliman,* *Project Director*—Senior Consultant, National Academy of Public Administration; consultant in government organization, budgeting, financial management; former Senior Executive Service; Budget Officer, U.S. Department of Housing and Urban Development; Past President, American Association for Budget and Program Analysis; “From the Field” Editor, *Journal of Public Budgeting and Finance*.

Rebecca J. Wallace, *Deputy Project Director*—Management Consultant; former Director of Logistics Management, U.S. Customs Service; positions with U.S. General Accounting Office: Deputy Director, Office of Administrative and Publishing Services; Organization Development Consultant; Program Evaluator.

Kenneth F. Ryder Jr.,* *Senior Consultant*—Senior Consultant, National Academy of Public Administration; Project Director and Consultant, Ryder Analytics, Inc.; former Executive Director, Research and Analysis, Office of Thrift Supervision, U. S. Department of the Treasury; former positions with the U.S. Office of Management and Budget: Deputy Associate Director, Housing, Treasury and Finance Division; Deputy Associate Director, Special Studies Division, Economics and Government; Branch Chief, Housing Branch, Treasury, Commerce and Housing Division; and Senior Management Associate, Management Division, National Security and International Affairs; former Staff Economist, The Rand Corporation; Economist, Manpower Requirements, Directorate, Office of the Assistant Secretary of Defense for Systems Analysis.

Craig Durkin, *Senior Consultant*—Vice President, Jefferson Solutions; former Director, Office of Procurement Contracts and other operations, policy and management positions within that office; Department of Housing and Urban Development; Contract Administrator, Defense Supply Agency.

Pamela Creek, *Senior Consultant*—Senior Consultant, National Academy of Public Administration; Human Resources Management and Leadership Development Consultant; former Executive Director of Human Resources, Defense Logistics Agency; Associate Deputy Assistant Secretary for Human Resources, Department of Veterans Affairs; Director of Human Resources Regionalization and Director, Leadership and Program Development, Department of the Army; various leadership and operational human resources positions within Department of the Army.

Kenneth Hunter, *Senior Consultant*—President, KSH Associates; Senior Consultant and former Deputy Director, Center for Human Resources Management, National Academy of Public Administration; former Business Development Executive, Oracle Services Inc.; Deputy Assistant Secretary of State for Passport Services; Executive Director, Foreign Service Institute; Deputy Assistant Secretary of State for Human Resources; Office Director, U.S. Department of State; Director of Personnel, Deputy Director, Director of Equal Employment Opportunity, Employee Relations Specialist, Federal Trade Commission.

* *Academy Fellow*

Jeremy Arensdorf, *Research Associate*—Manager, Jefferson Solutions.

Morgan Clark, *Research Associate*—National Academy of Public Administration; project staff on prior Academy Study of Office of Environmental Management; former Focus Group Research Assistant, Peter D. Hart Research Associates.

Kate Shinberg, *Research Associate*—National Academy of Public Administration; former Development Officer, People for the American Way; Policy Intern, Democratic National Committee.

Martha S. Ditmeyer, *Senior Administrative Specialist*—Staff member providing technical support for a wide range of Academy studies. Former staff positions at the Massachusetts Institute of Technology, Cambridge, MA and the Communications Satellite Corporation, Washington D. C. and Geneva, Switzerland.