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*Observations  
by a Panel of the*

**NATIONAL ACADEMY OF PUBLIC ADMINISTRATION**

**THE REORGANIZATION STATUS OF THE  
OFFICE OF ENERGY EFFICIENCY AND RENEWABLE  
ENERGY**

**Panel**

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## INTRODUCTION

On July 1, 2002, the Office of Energy Efficiency and Renewable Energy (EERE) within the Department of Energy (DOE) implemented a comprehensive reorganization that affected every aspect of its headquarters operations and its field reporting structure. Shortly thereafter, Assistant Secretary Garman and staff of the House Interior and Related Agencies Appropriations Subcommittee asked the National Academy of Public Administration (the Academy) to review EERE's reorganization efforts to ensure that they will help EERE best attain its mission. EERE also asked the Academy to examine EERE's acquisition/financial assistance processes to ensure that they will effectively support the new business model.

The Panel is providing EERE a series of interim observations during the 18-month duration of the contract. The first "Preliminary Observations" paper dated June 2003, provided the Panel's preliminary views on the reorganization. In it, the Panel endorsed the basic construct of EERE's reorganization, noted that much had been done to implement the new organizational model, and also identified a number of areas that warranted further examination by the Panel and possibly additional changes by EERE.

This document provides the Panel's views on the progress EERE has made in implementing the reorganization as of September 3 and its efforts to develop an office-wide approach to managing EERE. It discusses actions taken by EERE to address the Panel's suggestions and recommendations made in its June "Preliminary Observations" paper; follows up on issues the Panel raised in June regarding the program offices' configuration and the program managers' span of control; and presents some new issues for consideration. This document also includes information on EERE's estimates of potential savings resulting from the reorganization and other opportunities for savings that are outlined in EERE's Action Plan to implement the reorganization. However, most of the savings are difficult to quantify at this time because the necessary actions to realize the savings are only now underway. Finally, this document discusses how EERE's funding is split between the Interior appropriation and the Energy and Water Development (EWD) appropriation bills and congressional concerns about how those funds are accounted for; outlines EERE's current and proposed mechanisms to ensure that its activities are charged against the appropriate appropriations account; and provides Panel recommendations for how to further address congressional concerns in this area.

As part of its work, the Academy staff reviewed numerous documents and interviewed a wide variety of officials both inside and external to EERE. A list of people contacted and interviewed since the start of the Academy's review in February 2003 is included in Attachment A. A list of acronyms used in this document is included as Attachment B and Attachment E includes a list of all Panel recommendations.

## **Next Steps**

During the next two months, the Academy and Jefferson Solutions<sup>1</sup> staffs will complete their assessment of EERE's acquisition and financial assistance activities and draft the November progress document that is to deal exclusively with that subject. Academy staff also will continue to monitor EERE's implementation of the reorganization, as called for by the contract, in preparation for the April 2004 progress document. It is expected that the Academy will be asked to testify at that time before congressional appropriations committees.

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<sup>1</sup> The Academy subcontracted with Jefferson Solutions to examine EERE's acquisition and financial assistance operations.

## **IMPLEMENTING THE REORGANIZATION**

An underlying goal of the reorganization was EERE leadership's desire to develop a single, office-wide approach to doing business throughout the organization in order to better achieve results in its programs and activities. The reorganization altered roles, responsibilities and working relationships throughout the office. It eliminated the former sectors, which had become stovepipe organizations that fragmented EERE's operations, and replaced them with program offices that represent EERE's primary research, development, and deployment efforts; reduced the number of supervisory levels to elevate the stature of EERE's newly defined program areas; and consolidated business and administration and communications and outreach functions in an effort to improve organizational effectiveness, increase efficiency, and benefit from economies of scale. New methods of doing business and their anticipated benefits, however, do not happen automatically. New processes and procedures must be developed to implement a new business model. The Panel noted in its June "Preliminary Observations" paper, however, that the suddenness with which the reorganization occurred gave EERE staff little opportunity to rethink their business practices and develop new standard operating procedures.

Early in the project, Academy staff advised EERE management that it needed to develop a plan to implement its new organizational structure. As a result, EERE began immediately to develop such a plan. The Deputy Assistant Secretary (DAS) for Business Administration assigned the task to the Office of Information and Business Management Systems (OIBMS). Fortunately, even before the reorganization was announced, OIBMS staff had already developed issue papers in several areas where they believed process changes were necessary. These issue papers formed the foundation for drafting the reorganization implementation plan.

### **STATUS OF EERE'S ACTION PLAN TO IMPLEMENT THE REORGANIZATION**

EERE developed an initial draft of the implementation plan and provided it to the Academy at the project Panel's first meeting on April 1, 2003. Academy staff worked on an interactive basis with EERE staff, making a number of suggestions for additions and revisions. Although the DAS for Technology Development received a copy of the second draft of the implementation plan in May, neither the DAS nor members of his organization had been involved with its development. In its June paper, the Panel expressed its concern that the Business Administration side of the organization was not taking adequate steps to involve the Technology Development organization in the change process, and recommended that EERE involve "a wide range of senior managers to finalize the implementation plan and its execution."

EERE accepted the Panel's recommendation and has taken steps to address the Panels' concerns. In June, OIBMS provided a third draft of the implementation plan to the DAS

for Technology Development. The DAS then discussed the draft with his senior managers and asked for their input. An assistant to the DAS coordinated the review within the Technology Development organization. A similar process was initiated for the Business Administration offices. Academy staff also reviewed the June draft and provided additional suggestions.

EERE leadership distributed the final implementation plan to office staff on September 4, 2003. The document, titled “EERE Management Action Plan” includes 18 major sections, each called an “Area of Improvement,” and is over 70 pages in length. Each Area of Improvement includes a description of the issue; anticipated benefits from addressing the issue; activities to date; and a list of actions to be taken, staff responsible for each action, due dates, and evidence of completion. The Areas of Improvement are:

1. **EERE Corporate Program Management System/I-Manage Interface**—Describes a plan to transition to a single EERE program/project management system as an interim step to a single DOE-wide system for research, development, demonstration and deployment (RDD&D) program/project management (e-Government activities).
2. **Uncosted Obligations**—Addresses the factors that affect the amount of obligations that have not yet been turned into work performed—referred to as “uncosted obligations”—and management actions to minimize the level of such uncosted obligations in the future.
3. **State Issues**—Describes issues and provides management actions to improve the effectiveness of state grant programs.
4. **Work Packaging**—Describes steps necessary to use EERE funds more efficiently by repackaging work for some programs in order to improve the linkage to performance and results and reduce process workloads.
5. **Program Management Initiative**—Provides a planned approach to train employees in program and project management based on EERE-identified best practices.
6. **EERE Program Reviews**—Sets forth the basis for using a single management approach for technical and management reviews of programs.
7. **Project Management Office**—Provides a plan to consolidate project management activities in the EERE Golden Field Office while maintaining the existing project management roles of the EERE regional offices and the National Energy Technology Laboratory.
8. **Split Funding**—Describes EERE’s efforts to ensure that appropriate management controls exist for programs that receive funding from both the EWD and Interior appropriation subcommittees.

9. **Corporate Planning, Budget Formulation and Analysis**—Describes EERE’s approach to improve the planning and analysis for its programs, coordinate budget formulation and execution activities, and improve EERE’s responsiveness to congressional committees.
10. **RDD&D Decision Processes**—Describes plans to develop uniform decision processes for EERE programs.
11. **Communications and Outreach**—Describes the benefits of having a consolidated approach to communications and outreach functions and identifies actions leading to cost savings.
12. **Standard Operating Procedures (Office of Business Administration)**—Describes the need to develop standard operating procedures as part of EERE’s new “one-way” of doing business and outlines a plan for their development and implementation.
13. **EERE Workforce Analysis**—Describes the process to identify the workload of each organizational entity in EERE; analyze gaps and significant variations in resources used to perform similar functions; and develop and implement actions to better utilize available staff.
14. **Support Services**—Describes significant variations in the use of support services among programs and offices and provides a plan to determine the “value-added” of support services and to develop and implement corrective actions, as appropriate.
15. **Use of Local Management and Operations (National Laboratory) Contractors**—Describes significant variations in the use of local national laboratory employees among EERE programs and offices and a plan to reduce their number and more strategically use local national laboratory employees starting in fiscal year (FY) 2004.
16. **Program Direction**—Describes EERE’s efforts to ensure that appropriate management controls exist in the use of program direction funds and the actions needed to obtain adequate levels of program direction funding for EERE operations.
17. **Strategic Use of National Laboratories**—Outlines a mechanism to develop policies and procedures for the proper use of the national laboratories and identifies actions leading to cost savings.
18. **EERE Approach for Evaluating Office of Science and National Nuclear Security Administration Laboratories**—Describes the implementation of a standard EERE management review process for input to award fee determinations

for national laboratories (other than the National Renewable Energy Laboratory) that EERE uses.

Except for some of the items in the EERE Corporate Program Management System/I-Manage Interface, Project Management Office, and Communications and Outreach Areas of Improvement, all of the action items are to be completed by October 1, 2004, with the majority to be completed before the end of 2003. The Panel encourages EERE's efforts to move forward quickly to address the action items in order to capitalize on the momentum and management support needed to realize the benefits that the reorganization promises. The Panel notes, however, that EERE's ability to meet the September and October 2003 dates in the Workforce Analysis Area of Improvement may be affected by the November 2003 due date for the program offices to complete their review of the use of support services contracts and the December 2003 date with respect to the strategic use of national laboratories. The information developed from those Areas of Improvement may be necessary for EERE leadership to make informed decisions about staff utilization.

In its June paper, the Panel also recommended that EERE approach the implementation of its reorganization with the same rigor it would a research project, stating that EERE should designate a manager to oversee the implementation of its Management Action Plan. This designation has not been made as of the end of August. The Panel continues to believe that EERE needs to designate someone to be responsible for working with the people in charge of each Area of Improvement to ensure that the necessary mechanisms are in place to complete each action item. The manager needs to ensure that the processes used to complete the action items are participatory—that offices throughout EERE are given the opportunity to be involved, as appropriate. The manager also needs to coordinate the activities and report to EERE management and staff on progress made.

**Accordingly, the Panel reaffirms its recommendation that EERE designate a manager closely aligned with EERE's leadership to be responsible for monitoring and coordinating the ongoing reorganization implementation efforts. The Panel suggests that the Assistant Secretary assign the Principal Deputy Assistant Secretary that responsibility.**

In addition to its recommendations with respect to the implementation plan, the Panel made several other recommendations and suggestions to EERE for improving the new organizational structure and its implementation. In taking action on the FY 2004 appropriation bill, the House Committee on Appropriations stated that EERE should implement the Academy's recommendations as soon as possible after their receipt.<sup>2</sup>

The remainder of this section of the "Reorganization Status" document discusses EERE actions taken on Panel recommendations and those taken in connection with Panel suggestions that were included in its June paper. Additional interviews and analysis also have raised some issues not covered in the June paper that are addressed here.

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<sup>2</sup> House Report 108-195

## **STATUS OF PANEL RECOMMENDATIONS**

### **Evaluation Strategy**

The Panel recommended that “an evaluation strategy be included in EERE’s overall implementation plan for the reorganization” as EERE needs to develop milestones and demonstrate results from the reorganization. EERE has recognized the need to develop a tracking system for achieving the milestones in its Action Plan and to assess the impact of the results, but the formal evaluation strategy is not completed. Academy staff have discussed this situation with EERE staff who are now working on developing the appropriate metrics.

The Panel believes that EERE’s analysis staff can be a valuable asset as EERE proceeds with its efforts to develop metrics that assess the results of the reorganization. While the metrics may address cost savings that result from the reorganization, the Panel believes that the metrics will need to focus heavily on how the reorganization has helped EERE meet its mission and whether it improves the substantive results within EERE’s program areas. The Panel plans to address the issue in its April status document.

**The Panel recommends that EERE include an Area of Improvement in its Action Plan to develop an evaluation plan that includes metrics for assessing the results of the reorganization.**

### **Board of Directors**

The Panel recommended that EERE not refill any positions of departing Board members “until EERE has a definite, agency-wide function in mind for such a high-level group of staff.” The Panel also recommended that EERE create a name for the group that better reflects its actual roles and responsibilities. These recommendations related to the Panel’s observation that “there is a contradiction between the stated role of the Board [of Directors] and its actual functions” as the Board “does not direct any EERE activities, is not involved in developing policy or resolving management issues, and has no decision-making authority.” The Panel believes that the term “Board of Directors” is not suitable for this EERE entity, and a true Board of Directors within a government organization has the potential to run counter to the congressional delegation of authority to the agency head.

On June 15, 2003, EERE filled a vacant Board position with a limited, two-year term, non-competitive appointment. This new Board member is reportedly “a recognized industry expert in the analysis of national and international energy accessibility and market issues, with special interest in the international biomass energy community.”

**The Panel reaffirms its earlier recommendation that EERE suspend further hiring for the Board until the Panel’s June recommendations are**

**implemented and that EERE create a name for the group that better reflects its actual roles and responsibilities.**

### **Deployment and the Regional Offices**

The Panel recommended that “EERE systematically develop a strategy for its deployment activities that includes an assessment of the role of the regions and the deployment program offices to carry out the agency’s deployment mission” and the results of that evaluation “should be factored into EERE’s overall reorganization strategy.” The Panel also suggested that the DAS’ Office of Technology Development be renamed to reflect the deployment activities for which it is also responsible.

To date, there has been no comprehensive attempt to address the Panel’s concerns. This initiative is not included in EERE’s Action Plan for implementing the reorganization. Some activities are reportedly ongoing, including the development of a paper dealing with deployment issues, but this has not been made available to Academy staff. In addition, EERE has not provided Academy staff with a list of all of its deployment programs.

A considerable amount of work remains to be done on this initiative. Among EERE staff, there appears to be considerable confusion about the definition of deployment and EERE’s goals for those activities.

**The Panel recommends that (1) EERE amend its Action Plan to add an Area of Improvement to develop a strategy for its deployment activities, including a clear definition and goals for those activities and the role of the regions, and (2) based on the resulting deployment strategy, decide whether a name change for the Office of Technology Development is appropriate.**

### **Budget Formulation, Execution, and Analysis**

The Panel recommended that EERE “appoint a budget officer who can ensure consistency between budget formulation and execution, and is empowered to act as EERE’s spokesperson on all issues related to the budget.” EERE has selected a new Director of the Office of Planning, Budget Formulation and Analysis (OPBFA) who will report to EERE in November 2003. The new position will be given the title of Chief Financial Officer and serve as EERE’s budget officer. The Panel also was pleased to learn that EERE plans to transfer the budget execution function, now under the Office of Program Execution and Support, to OPBFA. This decision by EERE’s leadership, once implemented, will alleviate the Panel’s concern that “Budget execution must be closely coordinated with budget formulation so that there is consistency between the two functions.”

The Panel believes that the new OPBFA director will need to take some time to assess his new organization in order to make judgments about how it should best be structured to meet its mission. At this time, however, the Panel wishes to raise an issue from its

“Preliminary Observations” paper that continues to concern Panel members and discuss three additional areas for the OPBFA director’s and EERE management’s consideration.

### *The Separation of Formulation and Analysis*

As part of the reorganization, EERE established two teams within OPBFA—a formulation team and an analysis team. In theory, the teams are separate, although some sharing of work—especially to handle “surge” workload—was anticipated. In practice, however, the two teams essentially operate as one. OPBFA management estimates that there is a 90 percent overlap between the two groups. EERE staff have indicated that the budget formulation work is overriding the analysis work. Rather than analysis driving budget, which is top management’s primary reason for co-locating the two functions in one office, “the analysis needed to support the day-to-day workload of the budget function tends to supersede other essential analysis work.” The following comment in the Area of Improvement for Corporate Planning, Budget Formulation and Analysis activities supports this observation:

While OPBFA succeeded in advancing on many fronts this past year, the unanticipated large amount of time PBFA staff had to devote to formulating the budget requests (FY 2004 and FY 2005) and responding to “fire drills” delayed some of its efforts on the planning, evaluation, and analysis fronts.

Because EERE leadership took a strong position that the analysis function needs to be in the same organization as budget formulation in order to drive the formulation process, the Panel deferred making a recommendation in its June paper and decided to examine the matter further. EERE hopes to alleviate the problems in this area by hiring two additional budget analysts for OPBFA, filling two positions that have been vacant during the past year, and having two other analysts return from details. The Panel will review this issue in its April 2004 progress document. That should give EERE sufficient time to implement its new structure and the Panel time to assess how well it is working. In the meantime, however:

**The Panel recommends that the new director of OPBFA ensure that the analysis and formulation teams are separated to help shelter the analysis staff from the day-to-day activities of budget formulation.**

### *Creation of a Rapid Response Team*

EERE plans to create a “Rapid Response Team” as a separate entity reporting to the DAS for Business Administration to handle all questions from congressional committee staff. Staff from the Office of Communications and Outreach who currently coordinate the responses will be assigned to this team. In addition, EERE plans to hire a senior congressional liaison specialist, a senior subject matter specialist, and two staff years of contractor support to perform this work. EERE leadership anticipates that this team will remove much of the “fire drill” work associated with responding to congressional inquiries, reducing the time now spent by the Technology and Development staff and the

business offices, particularly the analysis staff. It also believes that this new entity will provide the Assistant Secretary with an enhanced congressional interface capability. The Panel has asked the staff to monitor the Rapid Response Team operation.

### **Skills Mix Within the Business Administration Offices**

The Panel believes that skill imbalances may be exacerbating the organizational structure issues it has raised. The Panel reviewed the decisions made when staffing the budget formulation, execution and analysis functions and questions whether people with the right skills have been transferred to the right jobs. It appears that prior to the reorganization, there were staff in the sectors who had the following skills:

- Some were primarily analysts, but also might have had some budget experience.
- Some performed primarily budget formulation work, but also performed some budget execution tasks.
- Some performed primarily budget execution work, but also worked on formulation.
- Some had no direct experience in any of these activities, but had job titles that led management to believe that they might have performed analysis.

What appears to have happened in the reorganization is that, with the exception of the person designated to be the formulation team leader, staff with experience in both formulation and execution were transferred to the Program Execution Support budget execution team. Those individuals who were designated as analysts—or a similar skill category—were transferred to OPBFA. The net result is an apparent skills imbalance, especially within budget formulation, with few of the staff having experience in formulation.

**The Panel recommends that as part of its overall review of staff skills in EERE, top management examine the skills of staff transferred to the two budget functions and determine whether any adjustments are needed in assignments or whether training would be beneficial.**

### **Budgeting for Program Direction Funds**

Monitoring the use of program funds is largely performed by the program offices. In the case of program direction funds, however, the budget execution staff is directly responsible for their monitoring and administration. The Panel believes that the people who track how these funds are spent during the year are best able to carry forward that information to develop the next year's budget. There is some indication that the difficulties EERE has experienced with the adequacy of program direction funds for fiscal years 2003 and 2003 may be due, in part, to the separation of the budget formulation and execution functions for these funds.

Although EERE plans to have budget formulation and execution within the same office, it is not yet decided how the work of that office will be organized. The Panel believes

that EERE should reconsider assigning the budget formulation function for program funds to the budget execution staff.

**The Panel recommends that EERE consider transferring the responsibility for formulating the program direction budget to the budget execution staff who monitor those funds.**

## **STATUS OF PANEL SUGGESTIONS**

### **Coordination and Collaboration Among EERE Offices**

A major goal of the reorganization was to eliminate the stovepipes of the former sectors and create an environment that fosters coordination and collaboration among EERE's program offices. To do so, the Panel suggested that EERE examine "formal and informal mechanisms that identify and promote opportunities for coordination and collaboration among the program offices and between the program offices and the regional offices." One Panel member suggested a review of *In Good Company: How Social Capital Makes Organizations Work* by Don Cohen and Laurence Prusak. The message in this book is that building social capital<sup>3</sup> can improve organizational collaboration and performance. Organizations must encourage connection and cooperation, support and trust, a sense of belonging, fairness, and recognition in order to bring out the best in its workers. Academy staff are not aware of any new changes or change initiatives that address collaboration and coordination among EERE's various offices.

**Accordingly, the Panel recommends that EERE include in its Action Plan an Area of Improvement to study formal and informal collaboration mechanisms and develop recommendations for use within the organization.**

### **Program Management Overview Course**

In its June paper, the Panel suggested that the new Program Management Overview Course content "should reinforce the roles, responsibilities and the relationship between the program and business offices needed to effectively achieve EERE's mission." Academy staff attended this course and provided EERE officials with some suggestions for improvements. In general, the course explained how the new organization should work in order to meet EERE's mission. However, it did not cover the roles and relationships between the program and business offices in sufficient depth. If the collegial working relationship that exists at the DAS level is to flow throughout EERE, employees need to understand the nature of these relationships and be given information on how to cultivate them. The Panel believes that this course is a step in the right direction. As EERE reviews the course content over time, the Panel thinks that it will likely evolve into something more useful to employees in the new organization.

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<sup>3</sup> Social capital comprises connections among people that include trust, mutual understanding, and shared values and behaviors that bind social networks and communities and make cooperative action possible.

The Panel understands that there is no separate orientation course for new employees. The Panel believes that EERE should consider making the Program Management Overview Course a requirement for all new hires. The Panel also suggests that EERE consider developing a regional version of this course that will be more accessible to employees located outside of headquarters.

The Panel has no formal recommendation related to the Program Management Overview Course at this time. EERE management is committed to its success, and the Panel believes that EERE will continue to improve the course offering over time.

### **Office Configuration**

The Panel noted in its “Preliminary Observations” that office size should not necessarily be the primary factor that determines how an organization is structured. There are two offices, however, Distributed Energy Resources and Geothermal Technologies with 4 and 6 staff, respectively, that offer stark contrasts to the Weatherization office, which has 42 staff, and prompted the Panel to examine the office configurations within EERE.<sup>4</sup>

In its decision to reorganize, EERE leadership’s intent was to clearly identify EERE’s major programs, to elevate them in stature, and to reduce the layers between the managers of those programs and upper management. The configuration for the nine research and development program offices was technology-driven. In crafting the structure, EERE has made some fairly fine distinctions between the different program areas. For the most part, EERE staff interviewed generally support the current office configuration. Several individuals did question, however, the decision to have an independent Geothermal Technologies program.

Geothermal is the smallest of the 9 research and development programs, with a FY 2003 program budget of \$26.5 million, which is about half the program budget of the next smallest office, Wind and Hydropower Technologies, which is funded at \$51.5 million. Geothermal technology is similar to the technologies in some other programs, such as hydrology, and its work is related to the work performed elsewhere in EERE. It also has significant differences from other EERE technologies. For example, its resource base is similar to oil and gas, which makes it totally different from any other program in EERE.

The Panel believes that while there are relationships between geothermal technology and other EERE program technologies, geothermal is different enough that it may not fit well within another program area. If it were combined with another program, it may not receive the attention it deserves as a technology capable of “meeting a significant portion of the Nation’s heat and power needs.”<sup>5</sup>

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<sup>4</sup> Staffing levels as of August 2003. See Attachment D for staffing information for all of EERE.

<sup>5</sup> “Office of Energy Efficiency and Renewable Energy Strategic Plan,” page 12, October 2002

## **Program Managers' Span of Control**

The Panel commented that “the elimination of the supervisory levels may have created spans of control for the program managers that are too large.” Currently, 7 of EERE’s 11 program offices have 18 or more staff. Only the Weatherization office has two subordinate supervisors below the program manager.

Many of the program managers are new to their positions, and they have to learn the new roles and responsibilities of a program manager as well as understand and learn to deal with the strengths and weaknesses of their staffs. They also must guide their offices through the major cultural change that the reorganization requires to be successful. The Panel believes that program managers with such large spans of control may not be capable of adequately staying abreast of their staffs’ activities or have the time necessary to properly supervise and develop their staffs. EERE is in the process of conducting a workforce analysis that may result in recommendations to change office staffing levels. At present, however, the analysis is not complete and the timeframe for when the results of that effort will be available is unclear.

The managers of the larger program offices have designated team leaders. However, it appears that the program managers may not be taking full advantage of all of the responsibilities that those individuals are permitted to assume according to EERE’s agreement with the Union. EERE’s leadership plans to clarify the team leaders’ responsibilities to ensure that they are being fully utilized in the management of the program offices and review the need for additional supervisory positions.

The Panel supports EERE’s plans to ensure that its program managers have the resources they need to manage their programs and supervise their staffs. The Panel recognizes that the President’s Management Agenda has called upon federal agencies to eliminate unnecessary supervisory levels. The Panel concurs with this objective. However, it does not believe that a single office structure can necessarily meet the operational needs of all offices within an organization. The mission, number and capability of staff, and type of work performed need to be factored into the structure decision.

**The Panel recommends that EERE examine each of its program offices to assess the program managers’ span of control, and allocate additional management capacity to program offices as necessary.**

To the extent that EERE leadership believes that such a move could encourage program managers to spend their time externally rather than on program management, EERE leadership should relay its expectations that the program managers continue to focus on program management, with an emphasis on program goals, strategy and direction.

## **OTHER ISSUES**

### **Communications and Outreach**

The Panel did not address the Communications and Outreach function in its June “Preliminary Observations” paper. Since then, analysis of the data collected and additional interviews have identified some issues to be addressed.

The Area of Improvement for Communications and Outreach in the Action Plan focuses on the potential cost savings that can be realized by the consolidation of these activities. The emphasis on savings is appropriate and is being reflected in another part of this document.<sup>6</sup> Missing from the implementation plan, however, is a discussion of the effectiveness of these activities.

Comments from EERE staff about the reorganization suggest a general dissatisfaction with the support that program offices are receiving from the Communications and Outreach office. In part, the problem relates to staff expectations resulting from comments allegedly made by EERE top management when the reorganization was announced that the new consolidated Communications and Outreach office would relieve program offices from performing these activities. In fact, however, the program offices continue to be actively involved in drafting press releases and other communications materials, with the Communications and Outreach office sometimes performing only review, editing, and facilitation functions, depending on the subject matter. In many cases, the Communications and Outreach staff rely heavily on the Technology Development staff for the technical content of the materials. One EERE official noted that “There is less support for program activities with Communications and Outreach than before the reorganization.” Another official stated, “They tell us they don’t like what we are doing, but don’t tell us what is right.” On the other hand, a Communications and Outreach staff member told Academy staff that the Communications and Outreach office was never designed to provide support to the program staff—that it was only to do corporate level activities. These disparate comments indicate a lack of clarity with respect to the roles and responsibilities of that office.

Communications and Outreach staff also have expressed a high level of dissatisfaction with the reorganization. Some believe they are being underutilized and that the lack of role clarity has created barriers to effective job performance. While Academy staff have noted dissatisfaction in other areas of EERE, it appears to be strongest in Communications and Outreach.

Academy staff did not review the work products of the Communications and Outreach office. However, there are some indications that top management is somewhat dissatisfied because it has taken action to narrow the focus of Communications and Outreach by moving its congressional function to Business Administration. The Panel

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<sup>6</sup> See pages 26-27.

believes that EERE needs to take additional steps to clarify the office's responsibilities and ensure that the office has the capacity to effectively perform its work.

**The Panel recommends that EERE seek the assistance of an entity with public affairs expertise to clarify the proper functions, processes, and staffing of the Communications and Outreach office.**

In June, the Panel stated that "EERE needs to ensure that stakeholders are adequately informed about the reorganization and how it affects the areas of stakeholders' concerns." Academy staff are not aware that anything new has occurred to help keep stakeholders current. The Panel believes that this issue should be included in the more general review of Communications and Outreach's responsibilities recommended above.

## SAVINGS

Three of the primary goals of EERE's reorganization are to: (1) streamline and integrate business and management practices; (2) eliminate unneeded management layers within the program offices; and (3) ensure greater accountability. The Panel believes that the true measure of success for the reorganization will be whether EERE is better able to produce programmatic results. However, implicit in EERE's goals for the reorganization is the expectation that better business and management practices and greater efficiencies will lead to savings. A key question raised by staff of the House Interior and Related Agencies Appropriations Subcommittee is, "where are the savings?"

The Academy Panel addressed this subject briefly in its June "Preliminary Observations," as follows:

...consolidating those [business administration and communications and outreach] functions should provide a more unified approach for those activities and more consistent procedures throughout EERE. This should reduce the amount of oversight needed to ensure that proper procedures are followed. The consolidation also should result in economies of scale with a resultant decrease in the number of staff needed to perform these functions. However, such savings are yet to be identified and are elusive to pursue.<sup>7</sup>

One of the major reasons why savings have not been evident is because EERE changed its organizational structure before it developed the new processes needed to implement the new business model. The efficiencies that EERE expects to gain from the reorganization are dependent, in large part, on the success of its Action Plan, which has only just been issued. As a result, most of the savings have not yet been realized and are difficult to estimate. However, there are some indications of what is likely to transpire.

### PERSONNEL-RELATED SAVINGS

The Panel's "Preliminary Observations" noted that savings potential was constrained by EERE's agreement with the Union that there would be no reductions-in-force, pay reductions, or downgrades as a result of the reorganization. EERE opted to rely on attrition to achieve personnel savings, which could defer economies of scale for a number of years. The Panel pointed out that, even with the Union agreement, EERE could use the provisions of the Chief Human Capital Officers Act of 2002 to use federal employee early retirement provisions for purposes of reshaping the organization without losing full-time equivalent (FTE) positions. EERE intends to explore this route. However, EERE management needs the results of its workforce analysis project to determine whether and where to redeploy resources.

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<sup>7</sup> "Preliminary Observations," June 2003, page 4.

## **EERE Estimates of Personnel Savings**

Academy staff asked EERE to estimate the personnel savings resulting from the reorganization. The results of its analysis are included as Attachment C and summarized below:

- Realized savings in Business Administration headquarters offices during FY 2003 .....\$567,674

*This represents the costs associated with 10 FTE's who left during FY 2003, partially offset by hiring 7 FTE's at lower salary rates.*

- Vacant headquarters slots transferred to Golden .....\$517,676

*This represents the difference in the grade and salary levels between headquarters and the field for eight headquarters slots transferred to Golden as part of EERE's consolidation of project management responsibilities in Golden.*

- Potential savings from attrition.....\$210,944

*This represents EERE's estimate of savings through FY 2004 both from attrition and filling headquarters vacancies at lower grade levels. EERE assumes a total net staff reduction of 20 by FY 2007 with cumulative savings of \$527,360 by that year.<sup>8</sup>*

The Panel believes that there is one area of EERE's analysis of personnel savings where it would be beneficial to have more information. In reviewing the functions and staffing in the new Office of Business Administration, Academy staff learned that a number of support staff that had worked with the budget formulation and budget execution functions in the old sectors were now assigned to work in the new Operations and Logistics area in the Office of Program Execution Support. Clearly, a decision was made that the budget functions in the consolidated Office of Business Administration did not require the same level of support staff. At the same time, a decision was made that the new Operations and Logistics function, which includes oversight of procurement activities in EERE, required that support. Except for where EERE has redirected resources to the Golden Field Office, EERE's analysis does not include information on where savings from one function were redirected to another function. The Panel believes that EERE should provide full disclosure of savings and redirection determinations such as this.

## **Workforce Analysis**

The EERE workforce analysis project started in December 2002. The workforce analysis project is to:

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<sup>8</sup> EERE estimates a reduction of five positions per year, resulting in a savings \$105,472 per year with a cumulative total savings of \$210,944 in FY 2004, \$316,416 in FY 2005, \$421,288 in FY 2006, and \$527,360 in FY 2007.

- characterize the current workload and workforce
- identify requirements for current (1 year or less) and future (2-5 years+) EERE workforce
- identify gaps between the actual and the required workforce (current and future)
- recommend strategies to address workforce needs and close the staffing gaps (near-term and future)
- institutionalize the capability to continually monitor workload and adjust workforce requirements

The workforce analysis team was to report to EERE management in June 2003, leading to decisions on reshaping the EERE workforce in July 2003. Because of the sensitivity surrounding that project, however, EERE has slowed the schedule to ensure that data are accurate. Under the current schedule, October 31, 2003, is the new completion date.

The Area of Improvement in the Action Plan for the workforce analysis project does not discuss the methodology that EERE will use to analyze the data. Based on its past experience with workforce analyses, the Panel believes that meaningful analysis of such data requires an interactive process that includes the affected staffs to ensure the accuracy of the data and its interpretation and to obtain the staff's ownership of the analysis results.

The Panel believes that staff involvement in this process is especially important given that additional interviews and analysis during the Academy's project have surfaced numerous concerns from staff about poor morale, job security and poor internal communications. These issues were not universal throughout EERE; however, they were so widespread that they are of concern to the Panel. One of the major problems appears to be the lack of a mechanism and an environment that allows staff to communicate with management about their concerns. While some staff concerns relate to factors other than those caused by the reorganization—such as budget decisions reflecting changes in priorities by the Administration—others are the direct result of the reorganization.

The Panel recognizes that reduced staff morale and job satisfaction are typical problems in any office undergoing a major reorganization, but they cannot be ignored. The Panel believes that EERE leadership should address these issues with the same level of effort that is being devoted to the other areas in its Action Plan to ensure that the reorganization is effectively implemented.

The EERE personnel savings analysis states that, "...future personnel cost savings are anticipated as EERE completes its workforce analysis project...this project will provide EERE management with information to make more informed decisions regarding EERE skill mix and staff resources." The Panel supports EERE's efforts to better determine its workforce needs. But it is unclear how much potential savings the workforce analysis will identify. Anecdotal information suggests that the analysis may identify a need for additional staff in some areas. Academy staff have observed several areas in the program and business offices, for example in budget formulation and analysis, where it appears that additional staff are needed to meet the current workload. In addition, as part of the

workforce analysis, EERE offices are identifying work that should have been done in the past, but was not. This additional workload could require increased staffing levels.

### **Changes In Actual Employment**

In the year since the reorganization, EERE staff have decreased by a total of 10 FTE. The decrease is the net between a number of increases and decreases, as shown in Table 1 on the following page. The Office of Technology Development lost a net of 24 FTE. In gross terms, it lost 36 FTE, against which there was an increase of 10 for the Hydrogen, Fuel Cells, and Infrastructure Technologies Program and an increase of one each for the Geothermal Technologies and Wind and Hydropower Technology programs.

The two FTE increase for the Board of Directors represents support personnel. What the table does not reflect, however, is that EERE replaced departing Board members during the year. Both the regional offices and the Golden Field Office have increased their staffs during the year.

**Table 1<sup>9</sup>**  
**EERE EMPLOYMENT BY ORGANIZATION—JULY 2002 & AUGUST 2003** <sup>(a)</sup>

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
Assistant Secretary for Energy Efficiency	8	9	(+ 1)
Principal Deputy Assistant Secretary for Energy Efficiency	2	2	0
Board of Directors	5	7	(+ 2)
Office of Communications & Outreach	23	21	(-) 2
<b>EERE PROGRAM OFFICES</b>			
Deputy Assistant Secretary for Technology Development	5	3	(-) 2
Biomass Program	19	13	(-) 6
Building Technologies Program	38	35	(-) 3
Distributed Energy & Electricity Reliability Program (a)	21	18	(-) 3
FreedomCAR & Vehicle Technology Program	32	27	(-) 5
Geothermal Technology Program	5	6	(+ 1)
Hydrogen, Fuel Cells, & Infrastructure Technologies Program	12	22	(+ 10)
Industrial Technologies Program	35	25	(-) 10
Solar Energy Technology Program	13	12	(-) 1
Federal Energy Management Program	27	23	(-) 4
Weatherization and Intergovernmental Programs	44	42	(-) 2
Wind and Hydropower Technology Programs	7	8	(+ 1)
<b>TOTAL, EERE PROGRAM OFFICE</b>	<b>258</b>	<b>234</b>	<b>(-) 24</b>
<b>BUSINESS ADMINISTRATION</b>			
Deputy Assistant Secretary for Business Administration	3	2	(-) 1
Office of Program Execution Support	36	36	0
Office of Planning, Budget Formulation, & Analysis	22	20	(-) 2
Office of Information & Business Management Systems	14	13	(-) 1
<b>TOTAL, BUSINESS ADMINISTRATION</b>	<b>75</b>	<b>71</b>	<b>(-) 4</b>
<b>REGIONAL OFFICES</b>			
Atlanta Regional Office	26	26	0
Boston Regional Office	17	18	(+ 1)
Chicago Regional Office	19	20	(+ 1)
Denver Regional Office	23	24	(+ 1)
Philadelphia Regional Office	15	19	(+ 4)
Seattle Regional Office	21	20	(-) 1
<b>TOTAL, REGIONAL OFFICES</b>	<b>121</b>	<b>127</b>	<b>(+) 6</b>
<b>EERE PAID STAFF IN DOE OPERATIONS OFFICES</b>	<b>9</b>	<b>3</b>	<b>(-) 6</b>
<b>GOLDEN FIELD OFFICE</b>	<b>51</b>	<b>68</b>	<b>(+) 17</b>
<b>TOTAL</b>	<b>552</b>	<b>542</b>	<b>(-) 10</b>

(a) The Energy Reliability Function has now been transferred to DOE. The Office has been renamed Distributed Energy Resources (DER) with a staff of 4.

The Panel is somewhat concerned by the decreases in program office employment in headquarters, although it notes that the staff increases in the Golden Field Office, which are for project management work for the program offices, partially offset the

<sup>9</sup> A more detailed table is included as Attachment D.

headquarters staffing decreases.<sup>10</sup> The Panel’s concern is not related to overall levels of employment but to the maintenance of technical competence in the headquarters offices. The Panel believes that the workforce analysis project should carefully examine staff capacity issues as it addresses the issue of redeploying staff resources to ensure that staff capacity to perform program management functions does not suffer at the expense of increasing Golden’s project management capacity.

As shown in Table 2 below, another analysis indicates that the grade distribution has shifted somewhat higher over the year, from an average GS grade of 12.53 to an average of 12.75.<sup>11</sup>

**Table 2**  
**EERE EMPLOYMENT BY GRADE—JULY 2002 & AUGUST 2003** <sup>(a)</sup>

<u>GRADE</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>SES</b>	18	20	(+ 2
<b>GS 15</b>	101	94	(-) 7
<b>GS 14</b>	147	147	0
<b>GS 13</b>	103	106	(+ 3
<b>GS 9-12</b>	133	142	(+ 9
<b>GS 8 &amp; below</b>	50	33	(-) 17
<b>TOTAL</b>	<b>552</b>	<b>542</b>	<b>(-) 10</b>

(a) The detail by office are included in Attachment D.

One of the two SES increases was in the program offices, reflecting increases in Building Technologies and Hydrogen that were offset by a decrease of one SES position in FreedomCAR and Vehicle Technology. EERE assigned the other SES position to the Golden Field Office.

### **Staffing at the Golden Field Office**

The Golden Field Office has increased 17 FTEs since last July. Almost all of these positions went to increase Golden’s Project Management Office capabilities. Some FTEs transferred from headquarters as a result of attrition and other FTEs are being transferred from the Chicago, Idaho, and Oak Ridge Operations Offices as work from those offices is transferred to Golden. EERE management expects Golden to increase by 26 FTEs (from 58 to 84) by October 1, 2003. Bringing the project management staff together in Golden should result in a high degree of synergy and help make project management more effective.

<sup>10</sup> There will be a “dotted line” relationship between the project managers in Golden and the responsible program managers in headquarters who will have input into the performance standards and evaluations of the project managers working for their programs.

<sup>11</sup> These data differ from a higher average shown in Attachment C, which was computed on a compensation basis, including SES, rather than on a grade basis.

The transfer of FTEs and workload from DOE operations offices to Golden obscure hidden savings to DOE. While EERE did not like relying on operations offices that were primarily responsible for supporting other parts of DOE, the number of staff that EERE funded at those offices represented only a portion of the total staff support those offices provided to EERE programs. The operations offices provided EERE with a significant level of service, primarily support services in administrative and legal areas, at no cost to EERE. As EERE work is phased out of those offices and the FTEs funded by EERE are transferred to Golden, the Golden staff will have to absorb all the workload. Golden staff estimate that the total of this uncompensated support that they will have to absorb is 32 FTEs, the bulk of which were in Chicago and Idaho. EERE's actions will allow the DOE operations offices either to reduce their staff levels or use that staff for other work.

### **OTHER ADMINISTRATIVE SAVINGS**

There are four non-personnel areas identified in EERE's Action Plan that, when complete, also could create opportunities for savings.

1. support service contracts
2. use of national laboratory employees
3. communications and outreach activities
4. replacement of legacy computer systems

#### **Support Service Contracts**

Procurement data for FY 2002 show a total of \$32.5 million available for support service contracts. These data were not in a format that corresponds with EERE's current organizational structure. EERE staff adjusted the data to approximate the current structure, as shown in Table 3 below.

**Table 3**  
**FY 2002 SUPPORT SERVICES CONTRACTS**

<b>Program</b>	<b>Interior Funds</b>	<b>EWD Funds</b>	<b>Total</b>
<b>Technology Development</b>			
Biomass	\$ 530,000	\$ 661,818	\$ 1,191,818
Building Technology	4,195,629	-	\$ 4,195,629
Distributed Energy and Energy Reliability	763,064	579,403	\$ 1,342,467
FEMP	1,990,256	-	\$ 1,990,256
Hydrogen, Fuel Cells, and Infrastructure	440,282	218,073	\$ 658,355
Geothermal Technology	-	204,056	\$ 204,056
Industrial Technologies	3,390,065	-	\$ 3,390,065
FreedomCAR and Vehicle Technologies	2,319,044	-	\$ 2,319,044
Solar Technologies	-	667,789	\$ 667,789
Wind and Hydropower	-	326,045	\$ 326,045
Weatherization and Intergovernmental	7,898,993	42,872	\$ 7,941,865
<b>TOTAL, TD</b>	<b>\$ 21,527,333</b>	<b>\$ 2,700,056</b>	<b>\$ 24,227,389</b>
<b>Business Administration</b>			
IT related Support	-	770,166	\$ 770,166
Regional Offices	1,071,315	-	\$ 1,071,315
Golden Field Office	1,195,288	-	\$ 1,195,288
Headquarters	5,240,877	-	\$ 5,240,877
<b>TOTAL BA</b>	<b>7,507,480</b>	<b>770,166</b>	<b>8,277,646</b>
<b>TOTAL</b>	<b>\$ 29,034,813</b>	<b>\$ 3,470,222</b>	<b>\$ 32,505,035</b>

Data for 2003 are only partially available at this time. As of June 30, 2003, a total of \$27.2 million had been obligated for support service contracts. These are primarily Interior funds because EWD funds have been more restricted in 2003. Academy staff have been advised that a full accounting of FY 2003 support services funds will not be available until November 2003.

EERE's Action Plan identifies support service contracts as an area where savings may be possible. It notes that, out of the \$24 million used for support services in the program offices, three programs offices—Weatherization and Intergovernmental Programs, Building Technologies, and the Federal Energy Management Program (FEMP)—used \$14 million. The Action Plan states that each of these programs used amounts that significantly exceeded the funding levels shown in the FY 2002 budget request for technical/program management support service levels. The Action Plan also notes that, in the programs' 2004 budget requests, one program—Industrial Technologies—represents only 5% of EERE's request for programs funds but accounted for 43% of EERE's request for technical/programmatic support services.

The Action Plan calls for support services to be strategically used where they provide overall value to the performance and results of EERE programs. To accomplish this, EERE plans to review whether or not individual support service contracts provide true value added for the program. The Action Plan also calls for improved management controls to ensure that budget levels are not exceeded. In part, EERE could accomplish this by significantly reducing the number of support service contractors.

EERE anticipates a significant reduction in funds applied to support service contracts as a result of this review. It already has identified nearly \$400,000 of savings in the support services contract area. (See Attachment C for details.) According to the Action Plan, EERE contemplates that savings from this activity will be redirected to research, demonstration, and deployment activities.

### **Use of National Laboratory Employees**

EERE spends about \$7.2 million annually for the services of Washington-based employees of the national laboratories, as shown in Table 4 below:

**Table 4**  
**WASHINGTON-BASED LABORATORY EMPLOYEES**

<u>OFFICE</u>	<u>No of Contracts in FY 2003</u>	<u>Cost per Month</u>	<u>Cost per Year</u>
Business Administration	12	\$ 121,100	\$1,453,200
<b>TOTAL</b>	<b>12</b>	<b>\$121,100</b>	<b>\$1,453,200</b>
Solar Technologies	1	14,000	168,000
DEER	1	9,200	110,400
FreedomCAR	8	123,700	1,484,400
Industrial Technologies	3	41,900	502,800
Hydrogen, Fuel Cells, & Infrastructure Technologies	3	62,800	753,600
Building Technologies	8.5	69,600	835,200
FEMP	11	89,500	1,074,000
Weatherization & Intergovernmental	7	54,300	651,600
Administrative	2	10,900	130,800
<b>TOTAL</b>	<b>42.5</b>	<b>\$465,000</b>	<b>\$5,710,800</b>
<b>GRAND TOTAL</b>	<b>54.5</b>	<b>\$586,100</b>	<b>\$7,164,000</b>

The Area of Improvement in the Action Plan, Use of Local Management & Operations (National Laboratory) Contractors, refers to issues raised in the past by the appropriations committees, the DOE Inspector General, and the General Accounting Office about the appropriate use of laboratory staff. Primary concerns include the use of these unique resources in areas other than research, excessive travel costs, and their cost when compared to other means of obtaining the same support. The Action Plan further notes that EERE uses 25% of the DOE allocation for Washington-based national laboratory employees, and points out that EERE's internal controls are inadequate to comply with DOE instructions pertaining to their use.

The Action Plan calls for developing internal controls to ensure that EERE's use of local national laboratory employees are in accordance with DOE instructions and will contribute the most to the performance and results of the EERE portfolio. As a result of this action, EERE anticipates that its use of national laboratory employees will decrease, resulting in savings, although it expects to use the savings to increase direct research, demonstration, and deployment activities. In other words, EERE will redirect the savings similar to what is contemplated for support service contracts. The Panel supports EERE's efforts to ensure the appropriate use of laboratory employees, not simply as a way to save money, but as a good management practice.

Ensuring the appropriate use of Washington-based national laboratory employees is only one measure out of many that EERE is contemplating with respect to the national labs. Under the Area of Improvement, Strategic Use of National Laboratories, the Action Plan states:

Over \$500 million per year of EERE's program work is implemented through the national laboratories. National Laboratories are Federally Funded Research and Development Centers (FFRDCs) that are operated through Management and Operations contracts (see Parts 17 and 35 of the Federal Acquisition Regulations); FFRDCs have unique research facilities and equipment and dedicated researchers to perform work that the private sector is incapable or unwilling to perform. FFRDCs are not to compete with the private sector and perform work that the private sector is willing and capable of performing.

At times, EERE programs' use of the national laboratories has not been consistent with their FFRDC role. This includes: (1) Not centralizing a critical mass of long-term activities at a national laboratory to build and sustain unique research and development capabilities, (2) Over reliance on national laboratories to perform non-research and development activities, such as the facilitation of deployment, that the private sector is capable and willing to perform at a substantially lower cost (see EERE Strategic Program Review report), and (3) Reliance on national laboratories for higher cost procurement and project management services, due to a lack of EERE dedicated procurement and project management resources.

There are likely to be savings as EERE pursues this initiative. No estimates, however, or even the universe of costs involved are yet available.

### **Communications and Outreach Activities**

Prior to the EERE reorganization, sectors and programs directed their own communications and outreach efforts, including printed and audiovisual materials, conferences, workshops, exhibits, websites, and clearinghouses/call centers. These efforts augmented a corporate EERE website and clearinghouse and a limited amount of corporate printed materials. An analysis of FY 2002 costs revealed that approximately \$27 million was spent on communications and outreach-related activities. Of that, \$21 million was for work being performed at either the national laboratories or through national laboratory subcontracts.

The EERE Action Plan notes that the pre-reorganization approach to communications and outreach resulted in numerous newsletters, clearinghouses/call centers, conferences, workshops, exhibits, and printed materials with different formats. The Action Plan further notes that the centralized approach under the new structure gives EERE the ability to avoid duplication, obtain economies of scale, determine priorities for communications products, and ensure a consistency in the format and message of EERE's communications and outreach products.

The Action Plan identifies for special review the \$21 million that has been funneled through the laboratories for communications and outreach activities. The following steps also are included in the plan:

- consolidate the four existing toll-free calling centers into one call center
- centralize the awards for financial assistance and acquisition for conference workshop and exhibit activities
- transfer the EERE website to the private sector
- centralize and reduce the cost of all printed and audiovisual materials

Although they cannot be quantified at this time, these activities could result in significant cost savings to EERE.

### **Replacement of Legacy Computer Systems**

Under the old organization, each sector developed and maintained its own automated program management systems. Each system used its own data definitions and different software packages. As a result, information could not be aggregated within EERE. Since the reorganization, ongoing efforts have been directed toward developing a corporate management system, using common approaches and reducing the inefficiencies and costs associated with maintaining multiple program management systems. At the same time, EERE is working with DOE on an initiative known as I-Manage (Integrated Management Navigation System) to develop a common approach throughout the Department for planning, budgeting, implementing, and evaluating its programs. EERE also is collaborating with all DOE RDD&D programs to develop e-PME (electronic Portfolio Management Environment), which is to interface with the other I-Manage components. The e-PME system is to provide a single project management system for DOE that will provide consistent reporting of project-level information from the national laboratories in an electronic format. Based on the current schedule, however, ePME will not be available until FY 2006.

EERE is proceeding, with the agreement of the DOE Chief Information Officer, to develop an interim system that will be consistent with DOE's effort, but on a separate track so that it will be available to EERE earlier than e-PME. The EERE Action Plan includes a schedule for the interim system that is integrated with the overall DOE effort. When complete, the interim system will replace existing systems that are costing an estimated \$1.5 million per year to maintain.<sup>12</sup> As a result of migrating to one interim corporate management system, system maintenance costs should decrease by some unknown amount. These savings will not be realizable immediately, however. In fact, the costs in FY 2004 are likely to be higher as both old and new systems run simultaneously.

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<sup>12</sup> This is a conservative estimate representing what EERE staff could determine from headquarters records. In addition, there are costs at the national labs for associated data entry and system-related costs that are incurred at the field locations.

## PROGRAM FUNDS

Much of the savings discussion thus far relates to program direction funds or to program funds that may be used for such things as program support contracts, national laboratory employees, and communications. Except for those situations where savings can be directly translated to increased funds available for research, development, demonstration and deployment activities, the discussion does not relate directly to program funds. Yet there are other activities underway that EERE believes could translate either into more program activity (“more bang for the buck”) or reduced appropriations, should that be the decision. At present, however, there is no way to quantify even the universe from which savings could reasonably be calculated. Some of the major areas identified in the EERE Action Plan, include:

- **Uncosted Obligations** :<sup>13</sup> By identifying funds lying idle in uncosted obligations, EERE may be able to redirect funds to activities that can provide more immediate results. Budget execution staff need to be trained to provide assistance in this area, and the Golden Project Management Office will be monitoring these.
- **State Program Issues**: EERE believes that simplification of application and reporting requirements along with meaningful performance indicators for evaluation purposes should improve the performance and results of state programs. The simplified processes also should reduce EERE staff and applicants’ time required to implement these programs.
- **Work Packaging**: The philosophy of program management that encourages “giving a little to a lot of recipients” is being changed, to the extent possible, into a concept of consolidating work into larger, strategically significant packages that could improve EERE’s ability to measure and demonstrate mission accomplishments. EERE believes that this should significantly reduce the number of transactions it executes each year, which should reduce the burden on EERE’s project and procurement resources as well as on private sector recipients.
- **Strategic Use of National Laboratories**: This issue was discussed earlier in connection with the use of laboratory employees. However, the initiative also includes a determination of when it is best to use a laboratory as a contracting agent and when it is best to do such contracting directly. EERE estimates that substantial savings in program funds may be realized by reducing EERE’s use of national laboratories as contracting agents.

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<sup>13</sup> Represents obligations that have not yet been turned into actual work performed.

## **COSTS OF THE REORGANIZATION**

One of the issues the Academy was asked to address was whether there were any costs associated with the reorganization. Clearly, there are such costs, but it is difficult to list or quantify them. For example, one of the costs was discussed earlier—where EERE decided that it needed to redirect resources to the Operations and Logistics area. EERE officials have indicated that one of the outcomes of the reorganization is that they are becoming aware of work that should have been done, but was not under the old structure. One could argue that this is an unexpected cost of the reorganization. Another example relates to the analysis and evaluation functions in OPBFA. Crosscutting analysis and evaluation were not as much of a priority in the old sector organization as it is in the new organization. Thus, more crosscutting analysis and evaluation is being done now than before. Again, there are costs associated with these activities.

There are numerous one-time costs resulting from the reorganization. For example, EERE staff will spend thousands of staff hours developing and implementing EERE's Action Plan for the reorganization. Personnel staff had to cut personnel actions for almost every headquarters staff member to reassign them to their new offices and/or to new positions. New office space was constructed in headquarters and many staff were moved. In Golden, there will be significant costs to acquire the additional space, equipment, etc. needed for the enlarged Project Management Office in Golden. The information systems initiatives will require additional funds. And EERE must invest in extensive training for staff to ensure that its new business model is understood throughout the organization.

## **DISCUSSION AND RECOMMENDATIONS**

Areas of potential savings abound in the reorganized EERE. Few can be realized, however, until new processes and procedures are in place and working. The Panel believes that a system of accountability must accompany the implementation effort or the chances for success will be limited. Also, the Panel believes that EERE should give priority to those actions that will produce savings that are demonstrable to the appropriations committees and the public.

### **Personnel Savings**

As indicated earlier in this section, EERE is developing data through its workforce analysis project that should enable it to proceed with some amount of staff redeployment. Once EERE has made its redeployment decisions, it should in a better position to match workload and staffing in the Business Administration, Communications and Outreach and Technology Development areas than what now exists. The expectation is that consolidation of the Business Administration and Communications and Outreach functions will produce savings. To accomplish these actions, EERE will need to aggressively pursue the flexibility offered by the Human Capital Officers Act of 2002. With many staff now eligible for retirement, this Act provides EERE the opportunity to

bring in the younger people it needs to grow EERE for the future and to achieve potentially significant salary savings at the same time. The Panel cautions, however, that redeployment should not be done simply to save money, but to achieve the best use of available staff consistent with the office achieving its mission.

**Therefore, the Panel recommends that:**

- **EERE proceed expeditiously with the process and procedural changes that have the most potential for helping it better achieve its mission while enhancing potential savings accruing from the consolidation of functions.**
- **EERE include in its FY 2005 budget justifications an explanation of the staffing level and grade changes that have occurred since the reorganization was put in place.**

### **Workforce Analysis and Morale**

EERE leadership is anticipating that the workforce analysis project will identify areas where staff can be redeployed and where savings are possible. The Panel supports EERE's efforts to identify savings and to operate in ways that help it more effectively meet its mission. It also believes, however, that the process for making changes is equally important, especially given the level of staff concerns expressed about poor morale, feelings of uncertainty, and a lack of trust. The Panel has noted that EERE has not defined its methodology for analyzing the data from the workforce analysis project, and believes that the process must be inclusive and interactive—involving staff at all levels throughout the organization.

Reorganizations of the magnitude experienced at EERE involve significant cultural change. The Panel believes that EERE's top leadership must be sensitive to employees' needs and concerns as they adapt to the changes the reorganization has caused. Management needs to be made aware of factors causing poor morale and take steps to address them. Poor morale reduces the effectiveness of reorganization implementation and works against efforts to elicit support for sustaining the changes that have taken place.

The Panel believes that some of these issues can be managed through better communication. However, top management must demonstrate a desire and willingness to listen to and address employee concerns and encourage discussion of the issues. The organizational climate in EERE needs to promote collaboration and coordination and be built on trust. It is to EERE's advantage to conduct the workforce analysis in a manner that develops a sense of employee ownership in the results. The Panel believes that, skillfully handled, an inclusive approach can be used without increasing the total time required because it should save time during the later implementation stages.

Therefore, the Panel recommends that:

- **EERE develop a methodology to analyze the workforce analysis data that involves the staff throughout the process, including the development of strategies to address workforce needs and close staffing gaps identified during the process.**
- **EERE develop a mechanism for staff to communicate upward their thoughts and concerns without fear of retribution, and to receive management's feedback on the issues raised.**

### **Other Cost Savings**

The Panel commends EERE for identifying in its Action Plan so many areas that have the potential to produce savings. EERE needs to pursue these savings aggressively and bring them to the attention of the appropriations committees so that decisions can be made regarding their most effective use.

**The Panel recommends that EERE place a high priority on completing the Areas of Improvement in the Action Plan that have the most potential for enhancing mission accomplishment while achieving cost savings, and develop proposals for the appropriations committees on possible uses for those savings.**

## APPROPRIATION STRUCTURE

### CONGRESSIONAL CONCERNS

On July 9, 2003, the Chairman and Ranking Minority members of the House Appropriations Subcommittee on Interior and Related Agencies expressed the following concern:

...the Committee is very concerned that the programs that are funded under the Interior bill and the programs that are funded under the Energy and Water Bill be clearly delineated and the accounting for the two different appropriation bills is strictly separate. In the past, there have been instances of similar activities receiving funds from both bills and that approach cannot be tolerated.

Subcommittee staff also expressed concern that the consolidated Business Administration function might result in mixing funds from the two accounts.

The Energy and Water Development Appropriations Subcommittee expressed a similar concern. The FY 2004 budget justifications for the National Climate Change Technology Initiative (NCCTI)<sup>14</sup> can be interpreted to mean that EERE planned to pool both Interior and EWD funds and award them under one contract. Inquiries into this area by Academy staff revealed a confused picture of who was supposed to administer this jointly-funded program. The EWD subcommittee, in its report on FY 2004 appropriations, disapproved EWD funding for this initiative stating that:

The Committee supports the competitive approach to acquiring innovative climate change technologies from academia and the private sector, but does not support the pooling of funds from two separate appropriations bills into a single new program.<sup>15</sup>

### EERE Response To Congressional Concerns

EERE management is aware of these congressional concerns and has included in the latest version of the Action Plan an Area of Improvement, Split Funding, to address them. It directs program managers whose offices receive funds from both appropriation accounts to ensure that program plans and implementation activities remain aligned with the jurisdictional distinctions that exist for each of these subcommittees. In addition, it requires that all funding mechanisms include “scopes of work that are definitive enough to determine if the funds are being used for the appropriated intent.”

Key business office staff members are charged with reviewing, in cooperation with the program managers involved, all FY 2003 funding transactions to verify that current management controls and procedures at the program manager level are effective in

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<sup>14</sup> See pages 443-448 of Volume 3 of the Department of Energy FY 2004 Budget Request (DOE ME-0018)

<sup>15</sup> House Report no 108-212, July 16, 2003.

ensuring that funds are used for their appropriated intent. Revised controls and procedures, as necessary, are to be completed by September 15, 2003.

In addition, EERE's 2004 budget justifications include the following statement:

EERE's budget is appropriated in bills managed by two Congressional Appropriation Subcommittees. The EWD Appropriations Subcommittee supports EERE's work on renewable energy under the Energy Supply appropriation account. In FY 2004, the request in the EWD account totals \$447,207,000 or 34 percent of EERE's budget. In addition, the Interior and Related Agencies (Interior) Appropriations Subcommittee supports EERE's energy conservation areas under the Energy Conservation account. The FY 2004 request in the Interior account totals \$875,793,000 or 66 percent of EERE's budget. Six programs are jointly funded: Hydrogen, Fuel Cells and Infrastructure Technologies Program; Weatherization and Intergovernmental Program; Distributed Energy and Energy Reliability Program; Building Technologies Program; Biomass Program; and Federal Energy Management Program.

The justifications further state that:

The complementary nature of these appropriations jointly facilitate making America more energy productive. In our modern economy, distinctions between energy supply increase and energy efficiency improvements are increasingly blurred.

A number of examples are then cited, such as fuel cells increasing energy efficiency while simultaneously providing a new way to power automobiles on fuels other than petroleum.

The Action Plan requires the 2005 budget justifications include a clear articulation of the jurisdictional difference in split funded programs and further provides for providing Congressional staff with details on split-funded programs to aid in congressional deliberations during the appropriations process.

Although EERE presents it as one issue, "split funding" has two major components, each with separate characteristics. One is program funds, which are used for grants, cooperative agreements, and contracts. The other is program management or program direction funds, which are used to pay the salaries of staff and other administrative expenses.

## **PROGRAM FUNDS**

By far, the largest sums of money are administered in the program offices reporting to the DAS for Technology Development. The funding by appropriation account for program is shown in Table 5 on the following page.

**Table 5**  
**PROGRAM OFFICE FUNDING BY APPROPRIATION ACCOUNT** <sup>(a)</sup>  
(dollars in thousands)

Program and Funding	FY 2003 Amended Request	FY 2004 Request	House Action	Senate Action	Comments
<b>FreedomCAR and Vehicle Technologies</b>					
Interior Funding	153,563	157,623	184,423	174,223	
<b>Hydrogen, Fuel Cells, Infrastructure Technology:</b>					
Interior Funding	57,500	77,500	56,500	68,500	
Energy & Water Development Funding	<u>39,881</u>	<u>87,982</u>	<u>67,982</u>	<u>87,982</u>	
Total Hydrogen et al	97,381	165,482	124,482	156,482	
<b>Weatherization and Intergovernmental Programs (WIP):</b>					
Interior Funding	359,446	356,960	322,462	311,462	
Energy & Water Development Funding	<u>14,807</u>	<u>16,500</u>	<u>16,500</u>	<u>13,500</u>	House includes \$4 million transferred from Electricity Reliability Program
Total WIP	374,253	373,460	338,962	324,962	
<b>Distributed Energy and Energy Reliability Reliability (DEER):</b>					
Interior Funding	54,784	51,784	64,284	57,534	House and Senate actions for E&WD funding reflect transfer of functions to new DOE Office of Electricity Transmission and Distribution
Energy & Water Development Funding	<u>76,506</u>	<u>76,866</u>	-	<u>4,000</u>	
Total, DEER	131,290	128,650	64,284	61,534	
<b>Building Technologies Program</b>					
Interior Funding	52,563	52,563	58,963	62,063	E&WD Committees say that "zero energy buildings" should be funded by Interior appropriations
Energy & Water Development Funding	<u>8,000</u>	<u>4,000</u>	-	-	
Total Building Technologies	60,563	56,563	58,963	62,063	
<b>Industrial Technologies Program</b>					
Interior Funding	91,477	64,429	97,729	76,429	House action includes \$7.5 million Transferred from Biomass program,
<b>Biomass Program</b>					
Interior Funding	23,939	8,808	-	10,808	House Interior action states that program should be funded by E&WD except for portion to go to Industries
Energy & Water Development Funding	<u>86,005</u>	<u>69,750</u>	<u>69,750</u>	<u>75,005</u>	
Total Biomass	109,944	78,558	69,750	85,813	
<b>Federal Energy Management Program</b>					
Interior Funding	23,425	19,962	19,962	19,962	
Energy & Water Development Funding	<u>3,000</u>	<u>2,300</u>	<u>2,300</u>	<u>1,800</u>	
Total FEMP	26,425	22,262	22,262	21,762	
<b>National Climate Change Technology Initiative (NCCTI) a/</b>					
Interior Funding	20,000	9,500	-	-	Denied in both bills on the grounds that funds from the two bills would have been pooled
Energy & Water Development Funding	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	
Total NCCTI	20,000	24,500	-	-	
<b>Geothermal Technologies</b>					
Energy & Water Development Funding	26,500	25,500	25,500	26,300	
<b>Wind and Hydropower Technologies</b>					
Energy & Water Development Funding					
Hydropower	7,489	7,489	5,489	5,000	
Wind	<u>44,000</u>	<u>41,600</u>	<u>41,600</u>	<u>41,600</u>	
Total, Wind and Hydropower	51,489	49,089	47,089	46,600	
<b>Solar Energy Technologies Program</b>					
Energy & Water Development Funding	79,625	79,693	79,693	89,693	

(a) This program is not included in any program office. It is an OMB initiative.

NOTE: This table does not include other funds included in the appropriation bills such as program direction or facilities and infrastructure

In acting on EERE's 2004 budget requests, the reports of both subcommittees addressed the issue of funding from more than one appropriation bill:

- The House Interior subcommittee removed all Interior funds from the Biomass program saying that that “these programs should be funded through the energy and water appropriations bill,” and that a particular program—Black Liquor Gasification—should be funded as part of another EERE program—Industrial Technologies’ Industries of the Future” program.
- The Senate and House Energy and Water subcommittees provided no funding for Building Technologies’ Zero Energy Buildings program, concluding that the Interior Appropriations bill should fund this program.
- Neither subcommittee in either the Senate or the House provided any funding for NCCTI on the basis that appropriations from the two bills would have been pooled.

The Panel derives two observations from these actions:

1. The House subcommittees seem to prefer that organizations be funded from one appropriation source or the other. Interior’s action on Black Liquor Gasification would result in Biomass being funded solely by EWD. EWD’s action on Industries of the Future would make Building Technologies solely funded by Interior funds. The Senate Energy and Water Subcommittee appears to agree with this premise.
2. Neither subcommittee in either the Senate or the House approves of any initiative where funds from the two bills are considered fungible.

### **DOE Controls on Use of Funds**

DOE maintains an extensive system of controls to ensure that funds are used for the purposes appropriated. A system of budget and reporting (B&R) codes are used to establish controls at congressional “Obligation Control Levels.” The DOE Chief Financial Officer creates a “Base Table” defined in the DOE Manual as “the document that displays budgetary resources available by the Department at a level of detail consistent with Congressional requirements (e.g., conference reports, etc.). It is the controlling document that provides the basis for the DOE allotment and approved funding program systems. It is submitted quarterly to Congressional Committees.” The B&R codes establish a detailed reporting structure for all DOE activities and programs.

The Panel has not analyzed DOE’s budget execution system in detail. On the surface, however, it looks complicated. But from the standpoint of maintaining controls, it appears to be more than adequate. In the case of EERE programs, two separate series of B&R codes govern programs funded by the two different appropriation bills. There

appears to be rigorous compliance with DOE instructions to ensure that there is no intermingling of funds provided under different B&R codes. By maintaining a separation between codes, the Panel believes that EERE should be able to maintain adequate separation of the funds provided by the two appropriations bills.

There are, however, two areas the Panel believes require EERE management's attention:

1. While funds are kept separate, there is always the chance that through error, the wrong B&R code will be used to fund a given activity. The Split Funding Area of Improvement in the Action Plan requires the program offices to develop scopes of work that are definitive enough to determine whether the funds are being used for the appropriated intent. This should help avoid B&R code errors. However, the Panel believes that EERE also should establish a process to spot check this situation to ensure that proper attention is being paid to the scopes of work and that B&R codes are being properly recorded.
2. Somewhat more difficult than reviewing scopes of work is overseeing how programs are actually administered. The rules for using program funds differ between the two appropriation accounts. In Interior-funded program, both program funds and program direction funds can be used for support services. Program funds can be used for "technical" support that provides benefits directly to the program. Program direction funds are used for management and general administrative services. Under EWD programs, no support services can be charged to program funds. All support services must be charged to program direction funds. Managers who have programs funded by both appropriations sometimes get confused with the different rules.

Should the actions of the two House subcommittees stand, only 3 of EERE's 11 program offices will be funded by both bills.

1. Hydrogen, Fuel Cells, and Infrastructure Technologies, where EWD funds hydrogen technology and Interior funds fuel cell technology.
2. FEMP is funded primarily by Interior but has a Departmental Energy Management Program funded by EWD.
3. The Weatherization and Intergovernmental Programs office is primarily funded by Interior. EWD funds a small international program and a tribal energy program.

If Senate action prevails for the 2004 budget, Biomass also would receive funds from both appropriation accounts.

Actions of both subcommittees clearly indicated a preference for "clean" funding for the programs wherever possible. The Panel believes that there is only one program where it clearly makes sense to receive funds from the two bills—the Hydrogen, Fuel Cells, and Infrastructure Technologies Program. EERE receives nearly equal levels of funding from both appropriation accounts for that program office. In FEMP and the Weatherization program offices, however, funds come predominantly from the Interior appropriations

account, as shown in Table 5. If EERE were to reconfigure those programs to avoid split funding, it would avoid confusion and simplify the funding structure by eliminating EWD funding for them.

FEMP has two unique work functions that are funded by EWD. Two FEMP staff work on DOE utilities projects, doing rate interventions and options studies. Two other staff work primarily on Departmental Energy Management Program activities, although they also perform other FEMP work. Both the utilities work and the Departmental Energy Management Program are corporate, DOE activities rather than EERE activities per se.

The Weatherization office is responsible for three distinct and significantly different program activities—Weatherization, the State Energy Programs, and international and tribal energy programs that are funded from EWD, unlike the rest of that office’s activities. Most of the international workload emanates from DOE, and upper management generally dictates the agenda. The Assistant Secretary is often involved in these efforts as well as a Board member who spends almost full time working on international issues. Six EERE staff members work in the international area and Academy staff have observed that the program manager spends a significant percent of his time on international activities, even though they comprise only about two percent of his budget.

The Panel believes that simplifying the appropriation structure also would help simplify the scope of work in EERE’s deployment program offices. The DOE functions and corporate activities performed by FEMP and the Weatherization office detract from the primary missions of those offices and divert the program managers’ attention away from issues related to deploying EERE’s technologies.

**Accordingly, the Panel recommends that:**

- **EERE review the activities of those program offices where small amounts of split funding are involved and assess whether they can be realigned in an effort to simplify the funding structure. EERE should report to all four subcommittees the results of this review and the rationale for maintaining jointly funded offices.**
- **For those situations where EERE is requiring definitive scopes of work, a spot check system should be established to ensure that proper B&R codes are used for various activities.**

If EERE is able to realign its activities so that the Hydrogen, Fuel Cells, and Infrastructure Technologies Program is the only program office to have split funding, EERE’s problems related to the proper use of funds would be greatly diminished.

## **PROGRAM DIRECTION/PROGRAM MANAGEMENT FUNDS**

In the Interior and Related Agencies Appropriations Bill, a “program management” line provides for staffing, resources, and administrative support for Interior-funded activities at headquarters, the Golden Field Office, and the six regional offices, and for information technology, communications, planning, evaluation, and analysis functions. In the EWD bills, a “program direction” line supports staffing resources for EWD-funded activities along with associated expenses at headquarters and the Golden Field Office. No funds are provided for the regional offices even though they engage in activities funded by the EWD appropriation. Academy staff have been advised that the reason regional staff are charged exclusively to Interior funds is because the regions were initially established to handle the Weatherization and State Energy Programs, which are funded out of Interior appropriations.

Using funds from two different appropriations to pay for staff salaries and for other administrative expenses is more complex than using two accounts to fund program activities. EERE’s formation of the Business Administration and Communications and Outreach offices has created a situation where staff may be working on both Interior and EWD funded programs. A given “account manager” in either the budget formulation or the budget execution team may have responsibilities for activities involving more than one appropriation, and other business office staff also work on activities funded by both accounts. Similarly, Communications and Outreach staff may be working on activities related to more than one appropriation account.

Generally, in other agencies where one or more appropriation accounts are used to fund the staffing and related expenses of an agency or office, a system is established to distribute employees’ time between accounts. Some systems distribute employees’ time directly on the official Time and Attendance Report, and others use a separate time reporting system due to the number of activities involved.

Academy staff have been advised that DOE’s system cannot split employee hours between accounts—employees work on activities that cross program lines, but the payroll system cannot accept split charges. Therefore, individuals must be identified with a specific appropriation account. This situation is not unique to EERE. For example, there are approximately 1,200 DOE employees in 9 DOE offices that provide a broad array of executive management and administrative support to all DOE offices and programs. All the staff in all nine offices are paid from EWD appropriations only, but are supporting Interior-funded work as well as EWD-funded work. Thus, while Interior appropriations “subsidize” some regional EWD activities in EERE, EWD appropriations subsidize some Interior activities in the rest of DOE. No analysis has been made of the balance between the two subsidies.

Currently, about 33% of EERE’s headquarters staff are executive management and administrative (this includes the Assistant Secretary’s Office, the Principal DAS’s Office, the Board of Directors, the Office of Communications and Outreach, and the Office of Business Administration). When the budget execution staff can correlate the duties

performed by these individuals to specific programs, the corresponding appropriations account is used. Where that is not possible, they assign staff to the appropriation accounts using the same proportion as the funds are received. For example, if the EWD appropriation provides 30% of EERE's funding, 30% of the staff who cannot be clearly identified with a program and the other expenses related to those staff will be charged to the EWD appropriation.

Table 6 shows the distribution of EERE staff by account as of May 31, 2003.

**Table 6**  
**STAFF FUNDING BY APPROPRIATION ACCOUNT <sup>(a)</sup>**

<b>EERE OFFICES and FIELD ORGANIZATIONS</b>	<b>INTERIOR</b>	<b>EWD</b>
Assistant Secretary	5	4
Principal Deputy Assistant Secretary	2	0
Board of Directors	5	1
Communication and Outreach	15	6
DAS for Technology Development	3	0
Solar Energy Technology Program	0	12
Wind and Hydropower Technology Program	0	8
Geothermal Technologies Program	0	6
Distributed Energy & Electricity Reliability Program a/	5	13
Biomass Program	5	8
Industrial Technologies Program	27	0
FreedomCAR & Vehicle Technology Prog	27	0
Hydrogen, Fuel Cell Infrastructure Technologies	14	5
Building Technologies Program	34	2
Weatherization & Intergovernmental Program	39	3
Federal Energy Management Program	23	0
DAS for Business Administration	2	0
Program Execution Support	28	8
Planning, Budget Formulation & Analysis	13	7
Information & Business Management Systems	11	2
Regional Offices	126	0
Golden Field Office	42	20
<b>Totals</b>	<b>426</b>	<b>105</b>
<b>Total EE Interior &amp; EWD</b>	<b>531</b>	

(a) Includes electric reliability function which is being transferred from EERE to the DOE Secretary's office.

EERE's process to allocate non program-specific expenses to its two appropriation accounts may or may not accurately reflect the work performed for each account. In the preceding table, while the totals may be properly distributed, FEMP should have a small number of staff charged to the EWD account for the Departmental Energy Management Program, which is funded by EWD. Addressing the program office structure, as recommended earlier, would clarify which appropriation account to use for most of the program offices, but the overlapping charges in Business Administration, Communications and Outreach, the Golden Field Office, and the regional offices would remain.

One way to deal with this issue would be for EERE employees to be funded out of one account with charge backs to the Interior and EWD appropriations based on some valid form of time analysis. This, however, would require legislation. In lieu of that, the Panel believes that EERE should develop a statistically valid system for calculating the time and related expenses that should be properly charged to each account for Business Administration, Communications and Outreach, the Golden Field Office, and the regions.

**Accordingly, the Panel recommends that EERE develop and implement a system to periodically determine the time non program-specific staff spend working on Interior versus EWD activities in order to more accurately calculate program management/program direction funds chargeable to each appropriation account.**

## **ANALYSIS AND COMMUNICATIONS FUNDS**

Consolidating the analysis and communications and outreach functions has led to some funding anomalies that are complicating the implementation of the reorganization. In both cases, while staff were transferred to the new organizations, most of the funds for the work to be performed was left with the program offices as part of their program funds. As a result, the analysis and communications and outreach staff must seek out funds from the 11 program offices to support their activities.

There are three types of analysis conducted in EERE:

1. core engineering analysis
2. program-specific analysis relating to markets in a given sector
3. crosscutting and office-level analysis that includes ensuring that benefit and risk analysis is based on the same assumptions across all program areas

Before the reorganization, except for a relatively small amount of corporate-level analysis, all analysis was done by the sectors. Since the reorganization, some of the program-specific analysis and the crosscutting and office-level analysis are now performed by the analysis staff in OPBFA. However, except for a small amount of funds for corporate-level analysis, the bulk of analysis funds continue to be part of the program funds. When the reorganization occurred, no provision was made to move any funds into

the new analysis organization.<sup>16</sup> To compound the situation, one EERE official noted that about \$1.5 million in program direction funds available in FY 2002 for analysis were not available to the new organization in FY 2003. The analysis group has been left without one of its core funding sources for corporate analysis just as it was being asked to consolidate the analysis activities in the former structure into an improved corporate analytical capability.

A similar funding situation has occurred in the communications and outreach activities. As a result, both organizations have used resources this past year trying to determine the true level of funding for their respective activities. The results for the communications and outreach activities have been discussed in the "Savings" section of this document (see pages 26-27). For the analysis activities, work to date indicates that there probably is about \$7.75 million in 2003 funds, and about \$10 million in the 2004 budget.

EERE is still reviewing these numbers. It has proceeded, however, to fund a \$3.5 million analysis program at the office level. In order to fund this basic level, the acting director of OPBFA had to obtain funds from a variety of organizations, involving 187 different funding codes and the issuance of 62 different funding letters. This has created an overwhelming workload for the staff who must transfer the funds. It also creates a large burden on the organizations receiving these funds, often the national laboratories. In one case, Academy staff learned that a laboratory had to deal with 11 different allocations to obtain a total of \$81,000, with some of the individual amounts as low as \$6,500.

Analysis is necessary at the EERE level. It is used to meet a large number of government-wide requirements, including the Government Performance and Results Act, the new Office of Management and Budget Program Assessment Rating Tool, National Energy Policy planning, and the development of benefit models for relating programs and results. If the analysis function is to provide the data that EERE needs for both internal management and external review, it needs a reliable source of funding that does not depend on going to multiple sources. The situation discussed above should not continue. While structure changes in the 2004 budget will reduce the problem somewhat, it will not eliminate it.

**The Panel therefore recommends that:**

- **EERE include a separate "Analysis" section in its 2005 budget justifications explaining the funds needed for the three types of analysis, the offices using those funds, and for what purpose.**

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<sup>16</sup> Some analysis funds did cross-walk over from those sectors with Interior funding. Part of the difficulty in using these funds effectively, however, is that they funded legacy analytical capacity for those specific sectors funded by the Interior accounts and where the sector DAS's had stressed the importance of high quality analytical capabilities (i.e., transportation, buildings). This created not only an incomplete, but an asymmetric funding arrangement for the analysis office, in which there were sufficient funds for transportation and fuels work, for instance, but essentially no funds for evaluating solar or other EWD programs.

- **The 2005 budget include an appropriation restructuring proposal for both Interior and Energy and Water Development funds to provide a separate line for the “Analysis” function.**

The funding situation for communications and outreach is slightly different. EERE has only recently developed some rough estimates of the funds used for these activities prior to the reorganization. So far, it has not identified the portion of those funds that should be administered by the Office of Communications and Outreach. The Panel believes that EERE should do so as part of the Action Plan efforts to develop a corporate approach for this activity. Once that has been accomplished, the new Office of Communications and Outreach should be appropriately funded.

**The Panel, therefore, recommends that EERE include a separate “Communications and Outreach” section in its 2005 budget justifications detailing the use of communications funds in 2004 and proposing, for 2005, an appropriation restructuring for both the Interior and Energy and Water Development accounts to provide a separate line for office-level communications and outreach activities.**

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Douglas Kaempf; Program Manager – Biomass

Michael McCabe; Program Manager – Building Technologies  
John Milhone; Program Manager – Weatherization and Intergovernmental Programs  
Roy Mink; Program Manager – Geothermal Technologies  
William Parks; Program Manager – Distributed Energy Resources  
Edward Pollock; Project Manager – Building Technologies  
Donald Richardson; Project Manager – Biomass  
Skye Schell; Project Manager – Federal Energy Management Program  
Ronald Shaw; Supervisor, Weatherization and Intergovernmental Programs  
Elizabeth Shearer; Program Manager – Federal Energy Management Program  
Merrill Smith; Project Manager – Distributed Energy Resources  
Raymond Sutula; Program Manager – Solar Energy Technology  
Edward Wall; Program Manager – FreedomCAR and Vehicle Technologies

**Oak Ridge Operations Office**

Edward Cumesty; OneSC Project Manager  
Wayne Lin; Program Coordinator for EERE  
George Malosh; Deputy Manager for Laboratory Operations  
George Manthey; Director of Program Coordination  
Mary Rawlins; Program Manager for EERE  
James Reafsnyder; Director, Office of Partnerships and Program Development

**The National Treasury Employment Union 213 (NTEU)**

Patrick Behm; Program Support Specialist, NTEU  
James Childs; Vice President, NTEU; Vice-Chair, MOVE (EE)  
Al Knight; President, NTEU  
Harvey Major; Treasurer, NTEU; Team Leader for International Team, Weatherization and International Programs  
Richard Moore; Team Leader for Africa & The Americas – Weatherization and International Programs

**LABORATORIES**

**National Renewable Energy Laboratory**

Richard Truly; Director

Daniel J. Cornell; Director, Contracts Office, Laboratory Operations  
Jill Deem; Chief Information Officer; Director, Information Services  
Bobi Garrett; Associate Director, Planning & Technology Management  
Richard Noun; Director, Communications & Public Affairs  
Cynthia J. Riley; Technology Manager, Biomass Program  
Barbara Stokes; Director, Finance Office

**Oak Ridge National Laboratory**

Marilyn Brown; Director of EERE Program  
Gil Gilliland; Associate Laboratory Director for Energy and Engineering Sciences  
Penny Humphreys; Business Analyst  
Michael Karnitz; Deputy Director of EERE Program  
Arvid Pasto; Director, High Temperature Materials Laboratory  
Mary Rawlins; Program Manager for EERE  
G.V. Rogers; Senior Section Supervisor – Procurement Contracts Division  
Kathi Vaughan; Business Analyst for Transportation Program  
Dick Ziegler; Director, Transportation Program & NTRC User Facility

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Appropriations Subcommittee  
Kevin Cook; Professional Staff Member, Energy and Water Development, House  
Committee on Appropriations  
Bruce Evans; Clerk, Minority Staff, Senate Appropriations Subcommittee  
Brooke Livingstone; Professional Staff Member, Senate Interior and Related Agencies  
Appropriations Subcommittee

**General Accounting Office**

Jim Wells; Director, Energy, Natural Resources, and Environment

**OTHER FEDERAL AGENCIES**

**Office of Management and Budget**

Richard Mertens; Chief, Energy Branch  
Robert Sandoli; Program Examiner, Energy Branch

**STATE AND LOCAL**

Cynthia Arcate; Deputy Commissioner, The Commonwealth of Massachusetts – Division  
of Energy Resources  
Richard Grice; Executive Director, Governor’s Office of Energy Management and  
Conservation, State of Colorado  
Bruce Ledgerwood; Team Leader, Energy Efficiency, The Commonwealth of

Massachusetts – Division of Energy Resources  
MaryAnn Manoogian; Director, New Hampshire Office of State Planning and Energy Programs  
Janice McClanaghan; Energy Programs Manager, Rhode Island State Energy Office  
Eileen McHugh; Team Leader, Consumer Education/Public Procurement, The Commonwealth of Massachusetts – Division of Energy Resources

**OTHER ORGANIZATIONS**

Kateri Callahan ; President – Electric Drive Transport Association  
Richard Campbell; Director, Energy & Technology – American Forest & Paper Association  
Peter Carroll; Consultant  
Sunny Choi; Senior Associate – Technology and Management Services, inc.  
Gerard Closset – Research, Technology and Engineering Management Consulting Services  
Walter Foley; Director, Market Development & Public Policy – American Iron and Steel Institute  
John Franke; Senior Manager – Technology and Management Services, inc.  
Karl Gawell; Executive Director – Geothermal Energy Association  
Jeffrey Genzer; Counsel – National Association of State Energy Officials (NASEO)  
Glenn Hamer; Executive Director – Solar Energy Industries Association  
Abraham Haspell; Board of Directors (former); Assistant Deputy Secretary, Department of Interior  
Lawrence Kavanagh; Vice President, Manufacturing and Technology – American Iron and Steel Institute  
Robert Kripowicz; Program Manager – State Technology Advancement Collaborative (STAC)  
C. Patrick Malone; Senior Associate – Technology and Management Services, Inc.  
David Nemtzow; President – Alliance to Save Energy  
Jeffrey Serfass; President – Technology Transition Corporation  
Jennifer Shafer; Director, Federal Government Relations – Plug Power  
Carol Werner; Executive Director – Environmental & Energy Study Institute

## LIST OF ACRONYMS

B&R	Budget and reporting (codes)
DAS	Deputy Assistant Secretary
DOE	Department of Energy
e-PME	Electronic Portfolio Management Environment
EERE	Office of Energy Efficiency and Renewable Energy
EWD	Energy and Water Development (House Appropriations Subcommittee)
FEMP	Federal Energy Management Program
FFRDC	Federally Funded Research and Development Center(s)
FTE	Full-time equivalent(s)
FY	Fiscal year
NCCTI	National Climate Change Technology Initiative
OIBMS	Office of Information and Business Management Systems
OPBFA	Office of Planning, Budget Formulation and Analysis
RDD&D	Research, development, demonstration and deployment

**Preliminary Estimated Cost/Efficiency Savings Associated  
With EERE’s Reorganization**

**I. Purpose:**

In response to a request from NAPA, the Office of Energy Efficiency and Renewable Energy (EERE) is providing the following preliminary cost savings and efficiency gains resulting from EERE’s reorganization. This report focuses primarily on the Business Administration component of EERE’s business model, but also includes EERE-wide examples of how we are identifying and measuring efficiency gains through a combination of re-engineering processes and redeploying staff resources. EERE expects to capture the majority of the efficiency gains and economies of scale in coming years, as identified in the Draft EERE Action Plan.

**II. Background:**

In July 2002, the Office of Energy Efficiency and Renewable Energy introduced a new organizational structure, based on a new business model, in its headquarters operation. The new structure is built around the 11 programs through which EERE accomplishes its goals, and a Business Administration office that supports the programs. The 11 program offices, which report to the Deputy Assistant Secretary for Technology Development, are:

- |                           |  |
|---------------------------|--|
| Solar                     | Geothermal                                     |
| Biomass                   | Distributed Energy and Electricity Reliability |
| Wind & Hydro              | FreedomCAR & Vehicle Technologies              |
| Hydrogen & Infrastructure | Weatherization and Intergovernmental           |
| Building Technologies     | Federal Energy Management Program              |
| Industrial Technologies   |  |

The business functions -- Program Execution Support, Planning, Budget Formulation & Analysis, and Information & Business Management Systems -- report to the Deputy Assistant Secretary for Business Administration. These offices serve as the exclusive source for all Headquarters EERE business products, processes and systems, and provide a full suite of business services to EERE offices.

**III. Human Capital Cost Savings:**

DAS - Business Administration Pre-Reorganization:

Prior to the July 2002 reorganization, the Business Administration element reported to the Chief Operating Officer/DAS, Office of Planning, Budget and Management (PBM). PBM had a staff of 58 in two offices, the Office of Planning, Budget and Outreach (PBO), and the Office of Management and Operations (OMO). The Planning, Budget and Outreach office oversaw budget formulation and execution, corporate analysis and evaluation, and corporate communications. The Management and Operations office had

responsibility for human resources/training, field management and procurement, and information technology and controlled correspondence. The 58 FTEs were organizationally aligned as follows:

DAS/COO	2
Associate DAS	2
Planning, Budget & Outreach	28
Office of Management & Operations	26
Total	58

DAS - Business Administration Post-Reorganization:

EERE’s reorganization resulted in three new offices within the DAS-Business Administration organization: Program Execution Support (PES), Planning Budget Formulation and Analysis (PBFA), and Information Business Management Systems (IBMS). EERE realigned and reassigned personnel from two sources, the old PBM organization and the five sectors. Table A depicts the realignment/reassignment of personnel into the new BA organization. Under the new business model, DAS-BA grew from 58 to 72 FTEs. Thirty of these FTEs were realigned from the five sectors, and with the exception of the IBMS office, reflect some duplication of effort in the old sector structure. The IBMS office represented a combining of the existing functions of information technologies; environmental, safety, and health; national laboratory evaluations and facilities; program management training; plus the new EERE corporate management systems function.

Table A  
BA FTE Composition

Office	Crossed Over from PBM	Added from Sectors	Total
Program Execution Support (PES)	21	15	36
Planning, Budget Formulation & Analysis (PBFA)	11	11	22
Information Business Management Systems (IBMS)	10	4	14
Total	42	30	72

Over the past year, as it has gone through a period of adjustment, EERE has continued to shift personnel. In some cases, we reassigned personnel to the TD program offices and BA offices to take advantage of their skills and desires. In other cases, retirements, resignations or new hires resulted in additional rebalancing of the BA workforce. In some cases, losses were replaced with selected hires to bring in more specialized skills. For example, PES determined that recruiting one senior procurement specialist to replace two procurement/acquisition personnel who separated from the organization would result

in a more efficient use of limited resources. In the case of IBMS, it was determined that the use of alternative management approaches would not require the replacement of two senior (GS-15) employees that left the organization. A junior program analyst has been hired as a replacement for an employee that plans to retire at the end of the year (this allows an orderly transition of functions to the new employee). Table B identifies the gains and losses and associated salary and benefits expended by BA that occurred from June 30, 2002 and projected to the end of FY 2003 (September 30, 2003). For this period, DAS-BA experienced a net loss of three FTEs. These three FTEs were subsequently transferred to the Golden Field Office (GO) as part of EERE's effort to develop a project management capability as discussed in the Golden Field Office section below.

Table B  
Gains/Losses and Cost Savings for BA Personnel

<b>Office</b>	<b>Gains</b>	<b>Projected Annual Salary &amp; Benefits through FY03(\$)</b>	<b>Losses</b>	<b>Projected Annual Salary &amp; Benefits through FY03</b>	<b>On-Board Balance (5/03)</b>
DAS-BA	0		0		2
PES	5	\$362,621	5	\$340,137	36
PBFA	1	\$43,387	3	\$366,490	19
IBMS	1	\$39,519	2	\$372,322	13
<b>Total</b>	<b>7</b>	<b>\$445,416</b>	<b>10</b>	<b>\$1,078,949</b>	<b>70</b>

For comparative purposes, we projected gross salary and benefits savings to the end of FY 2003 for the 10 FTEs losses to be \$1,078,949 to the Business Administration function. We are not aware of further additional losses to the BA organization for the remainder of FY 2003 and have assumed no additional loss to BA. These losses were offset by seven new hires or transfers into the BA organization during the past year. Projected salary and benefits totals to the end of FY2003 for these seven employees are estimated to be \$445,416. The difference of \$567,674 represents estimated net cost savings to the BA organization for FY 2003.

The DAS-BA anticipates BA staffing levels to decrease over time as efficiency improvements in corporate processes and practices become fully developed and integrated across EERE and as further HQ positions are transferred to the field organizations. Specifically, IBMS currently has two persons on detailed to other organizations with the possibility that these would become permanent transfers at some future date. IBMS management has decided not to backfill these positions should this occur. Similarly, PES staffing levels are anticipated to diminish over time as attrition and staff realignment occur in the future. PBFA staffing levels are expected to increase as

three staff additions occur in late FY 2003 or early FY 2004 including the recruitment of a Director.

EERE's skill mix continues to be a concern of the management. The outcome of our workforce analysis, later this summer, will enable EERE management to more closely examine our current skill mix against future requirements and make appropriate decisions regarding existing and future staffing allocations and skill needs

Other EERE Personnel Savings:

Golden Field Office

As part of the ongoing restructuring, EERE has identified other personnel cost savings and has initiated action. One example is management's decision to develop a project management capability at the Golden Field Office (GO). As part of an initial Adown payment, EERE transferred eight HQ positions to GO in early April 2003. These positions consisted of vacancies arising from retirements and separations of HQ personnel and grade levels ranging from GS-9 to GS-15. As previously discussed, three of the eight HQ FTEs transferred came from the BA organization and cost savings are captured in the previous section. Therefore for comparative purposes, we projected salaries and benefits for the remaining five HQ positions transferred to GO from the date each person separated from the HQ payroll to the end of FY03 to be \$646,024. The eight replacement positions at GO, covering the period April 2003 to the end of FY 2003, have an estimated salaries and benefits cost of \$128,348. The cost differential of \$517,676 represents a cost saving to EERE, is indicative of the difference in grade and salary levels between HQ vs. the field, and reflects management's decision to begin realigning our headquarters-to-field relationship as identified in the President's Management Agenda.

To supplement the transfer of eight HQ FTEs to GO, EERE concurrently initiated the transfer of workload and 14 FTE's from the Idaho, Chicago, and Oak Ridge Operations Offices to the GO. The transfer of these 14 FTEs is to be completed by the end of FY 2003. The GO has developed a staffing plan and resource requirements to fully staff its office with an additional 22 FTE in FY 2003, 25 FTE in FY 2004, and 20 FTE in FY 2005, assuming sufficient program direction funds are available.

Potential Savings from Anticipated Attrition

One of the requirements of the EERE reorganization was management's decision that no reduction-in-force (RIF), pay reduction, or downgrades occur as a result of the restructuring effort. This constraint on management's prerogative has resulted in EERE, in the near-term, being totally reliant on attrition to realize further human resource economies of scale savings. By having to rely on the randomness of attrition, EERE anticipates realizing economies of scale in later years rather than immediately. EERE is investigating the provisions afforded by the Chief Human Capital Officers Act of 2002 to use early retirements and early out provisions in out-years. However, these provisions,

even if approved today, would not result in additional cost savings in FY 2003 due to the lateness of the current fiscal year. EERE will request both early-out and early retirement approval for FY 2004 from the Department.

Despite these constraints, EERE anticipates cost savings from normal attrition - retirements, separations, deaths, etc.- and can estimate these savings based on certain assumptions. EERE's historical attrition rate over the past nine years averaged 5%. However, the recent downturn in the economy and the continuing uncertainty of future economic recovery, will directly impact normal attrition rates. For purposes of this paper, EERE assumes a conservative attrition rate of 3% per year for the next several years. We also assume the historical attrition split of 51% in HQ and 49% in the field will continue to hold. Table C presents estimated costs savings for the period 2003-2007. The projected Total FTE figures are based on CFO FTE targets for EERE out-year planning purposes. We assume an EERE average grade of a GS14/3 or \$110,474 in salary and benefits/employee. As identified earlier, EERE intends to build a project management capability at its Golden Field Office. The requirements to build this capability call for knowledgeable personnel with program and project management experience to support mission direct functions of the 11 programs. To attract and retain this critical skill, we assume an average replacement grade of GS 13/5 or \$97,290 in salary and benefits/employee.

Table C  
Estimated Cost Savings from Attrition Projections

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>EERE FTE Planning Target</b>	545	540	535	530	525
<b>3% attrition x 51% HQ</b>	8	8	8	8	8
<b>GS 14/3*\$110,474</b>	\$883,792	\$883,792	\$883,792	\$883,792	\$883,792
<b>Replace with GS13/5* \$97,290</b>	\$778,320	\$778,320	\$778,320	\$778,320	\$778,320
<b>Est. annual cost saving</b>	\$105,472	\$105,472	\$105,472	\$105,472	\$105,472
<b>Est. cumulative cost saving</b>		\$210,944	\$316,416	\$421,888	\$527,360

\* = Average annual salary & benefits

Under these assumptions, EERE could begin to realize annual cost savings of \$105,472, as illustrated in Table C, as higher grade HQ employees are replaced in the field with mid-level personnel at an average grade of GS-13/5 (\$97,290 salary and benefits).

Assuming this scenario holds true, EERE will realize not only additional cost savings, but a more diverse and balanced EERE workforce. EERE will be able to develop the necessary in-house technical and management capabilities that will be trained and ready to replace EERE's aging workforce that is expected to begin retiring in the next 5-8 years.

In summary, since the reorganization, EERE has realized partial cost savings by undertaking initial efforts to realign and rebalance its workforce. Future personnel cost savings are anticipated as EERE completes its workforce analysis project later this summer. This project will provide EERE management with information on which to make more informed decisions regarding EERE skill mix and staff resources.

**IV. Additional Efficiency Savings:**

The DAS-BA organization has, over the past year, made other incremental adjustments that resulted in additional non-human capital efficiency gains. A representative sample includes:

- Streamlining EERE's simplified acquisition procedures by (a) reducing the number of credit card holders from 28 to eight and consolidated all purchases within the Business Administration function, and (b) increasing purchasing authority from \$25,000 to \$100,000, which we estimate will reduce purchasing lead-time from 75 days to 20 days.
- Undertaking an aggressive review of EERE's existing contracts and procurements to identify large business awards that can be converted to small business awards. This review will result in EERE's Small Business allocation rising from \$5 million in FY03 to \$10 million by FY07.
- Improving EERE corporate acquisition and procurement oversight and planning, which will provide program managers with the guidance and expertise to determine appropriate strategies for using national laboratories. In FY03, we identified approximately \$5 million of work that can be transferred from national laboratories to the private sector.
- Simplifying and streamlining the Golden Field Office's grant application process for states (about \$300 million of EERE's annual work) to conform to the federal Financial Assistance Management Improvement Act of 1999.
- Reviewing the grants management approach used for state grants. BA staff has worked with the states and the Office of Weatherization and Intergovernmental Program to streamline the data collection and reporting requirements for two state formula grants programs, the Weatherization Assistance Program and the State Energy Program.

- Initiating development of the EERE Project Management Office. Unlike other parts of DOE, EERE continues to operate without a full service procurement and project management office. Because the Golden Field Office provides only about one-third of EERE's procurement and project management services, EERE has had to rely on DOE Operations Offices, including Albuquerque, Chicago, Idaho, Oakland, and Oak Ridge, and the National Energy Technology Laboratory. This arrangement is not satisfactory because EERE is not their priority customer. As described in an earlier section, EERE has begun the transfer of its workload and 14 FTEs from the Idaho, Chicago and Oak Ridge Operations Offices to the Golden Field Office.
- Terminating the use of an expensive support services contractor for assistance on national laboratory facilities resulted in \$147,894 in uncosted funds recovered.
- Developing and implementing EERE corporate procedures for information technologies, EERE identified estimated reduction of support services of \$230K in FY 04 and \$290K in FY05.
- Consolidating nine support services contracts into one overall contract which will result in economies of scale and ease of contract management.

EERE's Action Plan provides more detailed information on these and other actions. Both the technology development and the business administration components will use this plan, now undergoing final preparation, as a roadmap to monitor and measure future efficiency gains.

**ATTACHMENT D**

**COMPARISON OF EERE EMPLOYMENT—JULY 2002 & AUGUST 2003**

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>ASSISTANT SECRETARY FOR ENERGY EFFICIENCY</b>			
SES*	2	2	0
GS 15	3	3	0
GS 14	1	1	0
GS 13	0	1	(+) 1
GS 9-12	0	2	(+) 2
GS 8 & below	2	0	(-) 2
<b>TOTAL</b>	<b>8</b>	<b>9</b>	<b>(+) 1</b>
<b>PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR ENERGY EFFICIENCY</b>			
SES	1	1	0
GS 15	0	0	0
GS 14	0	0	0
GS 13	0	0	0
GS 9-12	1	1	0
GS 8 & below	0	0	0
<b>TOTAL</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>BOARD OF DIRECTORS</b>			
SES	5	5	0
GS 15	0	0	0
GS 14	0	0	0
GS 13	0	0	0
GS 9-12	0	2	(+) 2
GS 8 & below	0	0	0
<b>TOTAL</b>	<b>5</b>	<b>7</b>	<b>(+) 2</b>

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>EERE PROGRAM OFFICES-TECHNOLOGY DEVELOPMENT</b>			
<b>Deputy Assistant Secretary for Technology Development</b>			
SES	1	1	0
GS 15	1	1	0
GS 14	0	0	0
GS 13	1	1	0
GS 9-12	1	0	(-) 1
GS 8 & below	1	0	(-) 1
<b>TOTAL</b>	<b>5</b>	<b>3</b>	<b>(-) 2</b>
<b>Biomass Program</b>			
SES	0	0	0
GS 15	6	3	(-) 3
GS 14	6	4	(-) 2
GS 13	2	2	0
GS 9-12	2	3	(+) 1
GS 8 & below	3	1	(-) 2
<b>TOTAL</b>	<b>19</b>	<b>13</b>	<b>(-) 6</b>
<b>Building Technologies Program</b>			
SES	0	1	(+) 1
GS 15	7	5	(-) 2
GS 14	15	13	(-) 2
GS 13	9	11	(+) 2
GS 9-12	6	4	(-) 2
GS 8 & below	1	1	0
<b>TOTAL</b>	<b>38</b>	<b>35</b>	<b>(-) 3</b>
<b>Distributed Energy &amp; Electricity Reliability Program</b>			
SES	1	1	0
GS 15	7	7	0
GS 14	8	6	(-) 2
GS 13	0	0	0
GS 9-12	1	1	0
GS 8 & below	4	3	(-) 1
<b>TOTAL</b>	<b>21</b>	<b>18</b>	<b>(-) 3</b>

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>FreedomCAR &amp; Vehicle Technology Program</b>			
SES	1	0	(-) 1
GS 15	9	9	0
GS 14	13	11	(-) 2
GS 13	3	2	(-) 1
GS 9-12	3	2	(-) 1
GS 8 & below	3	3	0
<b>TOTAL</b>	<b>32</b>	<b>27</b>	<b>(-) 5</b>
<b>Geothermal Technology Program</b>			
SES	0	0	0
GS 15	1	2	(+) 1
GS 14	3	3	0
GS 13	0	0	0
GS 9-12	0	0	0
GS 8 & below	1	1	0
<b>TOTAL</b>	<b>5</b>	<b>6</b>	<b>(+) 1</b>
<b>Hydrogen, Fuel Cells, &amp; Infrastructure Technologies Program</b>			
SES	0	1	(+) 1
GS 15	5	6	(+) 1
GS 14	3	11	(+) 8
GS 13	2	2	0
GS 9-12	1	1	0
GS 8 & below	1	1	0
<b>TOTAL</b>	<b>12</b>	<b>22</b>	<b>(+) 10</b>
<b>Industrial Technology Program</b>			
SES	1	1	0
GS 15	8	6	(-) 2
GS 14	16	14	(-) 2
GS 13	4	3	(-) 1
GS 9-12	1	0	(-) 1
GS 8 & below	5	1	(-) 4
<b>TOTAL</b>	<b>35</b>	<b>25</b>	<b>(-) 10</b>
<b>Solar Energy Technology Program</b>			
SES	0	0	0
GS 15	4	3	(-) 1
GS 14	5	5	0
GS 13	1	1	0
GS 9-12	1	1	0
GS 8 & below	2	2	0
<b>TOTAL</b>	<b>13</b>	<b>12</b>	<b>(-) 1</b>

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>Federal Energy Management Program</b>			
SES	1	1	0
GS 15	5	5	0
GS 14	13	14	(+) 1
GS 13	1	1	0
GS 9-12	4	2	(-) 2
GS 8 & below	3	0	(-) 3
<b>TOTAL</b>	<b>27</b>	<b>23</b>	<b>(-) 4</b>
<b>Weatherization and Intergovernmental Programs</b>			
SES	1	1	0
GS 15	7	6	(-) 1
GS 14	14	14	0
GS 13	8	7	(-) 1
GS 9-12	9	12	(+) 3
GS 8 & below	5	2	(-) 3
<b>TOTAL</b>	<b>44</b>	<b>42</b>	<b>(-) 2</b>
<b>Wind and Hydropower Technology Program</b>			
SES	0	0	0
GS 15	3	3	0
GS 14	2	3	(+) 1
GS 13	1	1	0
GS 9-12	0	0	0
GS 8 & below	1	1	0
<b>TOTAL</b>	<b>7</b>	<b>8</b>	<b>(+) 1</b>
<b>TOTAL, EERE PROGRAM OFFICES</b>	<b>258</b>	<b>234</b>	<b>(-) 24</b>

**BUSINESS ADMINISTRATION****Deputy Assistant Secretary  
for Business Administration**

SES	1	1	0
GS 15	0	0	0
GS 14	0	0	0
GS 13	0	0	0
GS 9-12	1	1	0
GS 8 & below	1	0	(-) 1
<b>TOTAL</b>	<b>3</b>	<b>2</b>	<b>(-) 1</b>

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>Office of Program Execution Support</b>			
SES	1	1	0
GS 15	1	3	(+) 2
GS 14	11	10	(-) 1
GS 13	5	6	(+) 1
GS 9-12	15	15	0
GS 8 & below	3	1	(-) 2
<b>TOTAL</b>	<b>36</b>	<b>36</b>	<b>0</b>
<b>Office of Planning, Budget Formulation, &amp; Analysis</b>			
SES	1	1	0
GS 15	13	13	0
GS 14	4	4	0
GS 13	1	0	(-) 1
GS 9-12	3	2	(-) 1
GS 8 & below	0	0	0
<b>TOTAL</b>	<b>22</b>	<b>20</b>	<b>(-) 2</b>
<b>Office of Information &amp; Business Management Systems</b>			
SES	1	1	0
GS 15	6	4	(-) 2
GS 14	5	5	0
GS 13	0	0	0
GS 9-12	2	3	(+) 1
GS 8 & below	0	0	0
<b>TOTAL</b>	<b>14</b>	<b>13</b>	<b>(-) 1</b>
<b>TOTAL, BUSINESS ADMINISTRATION</b>	<b>75</b>	<b>71</b>	<b>(-) 4</b>
<hr/>			
<b>REGIONAL OFFICES</b>			
<b>(Atlanta, Boston, Chicago, Denver, Philadelphia, Seattle)</b>			
SES	0	0	0
GS 15	6	6	0
GS 14	11	10	(-) 1
GS 13	37	39	(+) 2
GS 9-12	56	60	(+) 4
GS 8 & below	11	12	(+) 1
<b>TOTAL, REGIONAL OFFICES</b>	<b>121</b>	<b>127</b>	<b>(+) 6</b>
<hr/>			

<u>ORGANIZATION</u>	<u>JULY, 2002</u>	<u>AUGUST, 2003</u>	<u>DIFFERENCE</u>
<b>EERE PAID STAFF IN DOE OPERATIONS OFFICE</b>			
SES	0	0	0
GS 15	0	0	0
GS 14	2	1	(-) 1
GS 13	6	1	(-) 5
GS 9-12	1	1	0
GS 8 & below	0	0	0
<b>TOTAL, EERE PAID STAFF IN DOE OPERATIONS OFFICE</b>	<b>9</b>	<b>3</b>	<b>(-) 6</b>
<hr/>			
<b>GOLDEN FIELD OFFICE</b>			
SES	0	1	(+) 1
GS 15	6	6	0
GS 14	9	13	(+) 4
GS 13	18	25	(+) 7
GS 9-12	17	20	(+) 3
GS 8 & below	1	3	(+) 2
<b>TOTAL, GOLDEN FIELD OFFICE</b>	<b>51</b>	<b>68</b>	<b>(+) 17</b>
<hr/>			
<b>TOTAL</b>	<b>552</b>	<b>542</b>	<b>(-) 10</b>

\* SES grade includes SES equivalent + executive level

a/The Energy Reliability Function has now been transferred to DOE. The Office has been renamed Distributed.

Energy Resources (DER with a staff of 4)

## LIST OF PANEL RECOMMENDATIONS

### *Implementing the Reorganization*

The Panel reaffirms its recommendation that EERE designate a manager closely aligned with EERE's leadership to be responsible for monitoring and coordinating the ongoing reorganization implementation efforts. The Panel suggests that the Assistant Secretary assign the Principal Deputy Assistant Secretary that responsibility.

### *Evaluation Strategy*

The Panel recommends that EERE include an Area of Improvement in its Action Plan to develop an evaluation plan that includes metrics for assessing the results of the reorganization.

### *Board of Directors*

The Panel reaffirms its earlier recommendation that EERE suspend further hiring for the Board until the Panel's June recommendations are implemented and that EERE create a name for the group that better reflects its actual roles and responsibilities.

### *Deployment and the Regional Offices*

The Panel recommends that (1) EERE amend its Action Plan to add an Area of Improvement to develop a strategy for its deployment activities, including a clear definition and goals for those activities and the role of the regions, and (2) based on the resulting deployment strategy, decide whether a name change for the Office of Technology Development is appropriate.

### *Budget Formulation, Execution, and Analysis*

The Panel recommends that the new director of OPBFA ensure that the analysis and formulation teams are separated to help shelter the analysis staff from the day-to-day activities of budget formulation.

### *Skills Mix Within the Business Administration Offices*

The Panel recommends that as part of its overall review of staff skills in EERE, top management examine the skills of staff transferred to the two budget functions and determine whether any adjustments are needed in assignments or whether training would be beneficial.

***Budgeting for Program Direction Funds***

The Panel recommends that EERE consider transferring the responsibility for formulating the program direction budget to the budget execution staff who monitor those funds.

***Coordination and Collaboration Among EERE Offices***

The Panel recommends that EERE include in its Action Plan an Area of Improvement to study formal and informal collaboration mechanisms and develop recommendations for use within the organization.

***Program Managers' Span of Control***

The Panel recommends that EERE examine each of its program offices to assess the program managers' span of control, and allocate additional management capacity to program offices as necessary.

***Communications and Outreach***

The Panel recommends that EERE seek the assistance of an entity with public affairs expertise to clarify the proper functions, processes, and staffing of the Communications and Outreach office.

***Savings***

The Panel recommends that:

- EERE proceed expeditiously with the process and procedural changes that have the most potential for helping it better achieve its mission while enhancing potential savings accruing from the consolidation of functions.
- EERE include in its FY 2005 budget justifications an explanation of the staffing level and grade changes that have occurred since the reorganization was put in place.

***Workforce Analysis and Morale***

The Panel recommends that:

- EERE develop a methodology to analyze the workforce analysis data that involves the staff throughout the process, including the development of strategies to address workforce needs and close staffing gaps identified during the process.
- EERE develop a mechanism for staff to communicate upward their thoughts and concerns without fear of retribution, and to receive management's feedback on the issues raised.

***Other Cost Savings***

The Panel recommends that EERE place a high priority on completing the Areas of Improvement in the Action Plan that have the most potential for enhancing mission accomplishment while achieving cost savings, and develop proposals for the appropriations committees on possible uses for those savings.

***Appropriation Structure and Funding***

The Panel recommends that:

- EERE review the activities of those program offices where small amounts of split funding are involved and assess whether they can be realigned in an effort to simplify the funding structure. EERE should report to all four subcommittees the results of this review and the rationale for maintaining jointly funded offices.
- For those situations where EERE is requiring definitive scopes of work, a spot check system should be established to ensure that proper B&R codes are used for various activities.
- EERE develop and implement a system to periodically determine the time non program-specific staff spend working on Interior versus EWD activities in order to more accurately calculate program management/program direction funds chargeable to each appropriation account.
- EERE include a separate “Analysis” section in its 2005 budget justifications explaining the funds needed for the three types of analysis, the offices using those funds, and for what purpose.
- The 2005 budget include an appropriation restructuring proposal for both Interior and Energy and Water Development funds to provide a separate line for the “Analysis” function.
- EERE include a separate “Communications and Outreach” section in its 2005 budget justifications detailing the use of communications funds in 2004 and proposing, for 2005, an appropriation restructuring for both the Interior and Energy and Water Development accounts to provide a separate line for office-level communications and outreach activities.