

DOE/IG-0550

AUDIT
REPORT

DISPOSITION OF THE DEPARTMENT'S
EXCESS FACILITIES



APRIL 2002

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES



U.S. DEPARTMENT OF ENERGY
Washington, DC 20585

April 3, 2002

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman (Signed)
Inspector General

SUBJECT: INFORMATION: Audit Report on "Disposition of the Department's
Excess Facilities"

BACKGROUND

During the course of nuclear weapons production, the Department of Energy (Department) and its predecessor agencies constructed over 20,000 facilities, ranging from temporary trailer-type buildings and office space to state-of-the-art nuclear reactors and laboratories. As the Department's mission has evolved, many of these structures are no longer needed and, as such, have been identified as excess facilities. Currently, the Department has nearly 1,200 excess facilities totaling almost 16 million square feet. Costs associated with these facilities, primarily for surveillance and maintenance, exceed about \$70 million annually. Over time, these costs are expected to increase, as will the health and safety risks that these buildings pose to workers and the environment.

This audit was conducted to determine whether the Department prioritized facility disposition consistent with its mission needs and to minimize overall costs and risks.

RESULTS OF AUDIT

We found that the performance of the Department's program to dispose of excess facilities was not fully satisfactory. We noted that facility disposition activities were not prioritized to balance mission requirements, reduce risks, and minimize life-cycle costs. In some cases, disposition plans were in conflict with requirements for new facilities. In other instances, facilities posing little risk were decommissioned while the Department failed to dispose of buildings representing substantially greater risk.

These situations arose because the Department had not: (1) developed a corporate approach for disposition activities; (2) collected and reported reliable data on costs associated with disposition activities or on decommissioning performance; and, (3) designated sufficient funds to carry out an effective disposition program.

Without a significantly enhanced approach to facility disposition, the Department may be hindered in the accomplishment of its various missions. Specifically, the excess facility disposition effort needed better coordination between cognizant program offices and greater overall emphasis on risk reduction.

We recommended that the Department:

- develop a corporate approach to managing infrastructure;
- identify alternative approaches to fund disposition activities; and,
- develop performance measures that convey the true nature of progress being made in eliminating excess facilities.

In October 2001, as a result of concern over the increasing number of excess facilities in the Department, Congress provided additional funding to improve facilities and infrastructure management. At least \$60 million of this additional funding was to be used for the elimination of excess facilities. In addition, the Department was instructed to collect information from all sites on the square footage of excess property sold, transferred or demolished each year and submit a report to Congress. We believe the specific recommendations included in this report will facilitate the Department's efforts to use these designated funds efficiently and effectively.

MANAGEMENT REACTION

Management agreed in principle with our findings and recommendations, committing the Department to steps to improve the disposition of excess facilities, including developing a new policy to establish a more corporate approach to facility and infrastructure management. However, management commented that Environmental Management's primary mission is to complete cleanup and close sites and that disposition of excess facilities must be balanced against the risk and cost associated with other cleanup requirements. Management's comments have been included in their entirety in Appendix 3.

Attachment

cc: Chief of Staff
Under Secretary for Energy, Science and Environment
Administrator, National Nuclear Security Administration
Assistant Secretary for Environmental Management
Deputy Administrator for Defense Programs
Director, Office of Management, Budget and Evaluation/Chief Financial Officer
Director, Office of Science

DISPOSITION OF THE DEPARTMENT'S EXCESS FACILITIES

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OVERVIEW

INTRODUCTION AND OBJECTIVE

During the course of nuclear weapons production, the Department of Energy (Department) and its predecessor agencies constructed over 20,000 facilities, many of which no longer serve a mission and have been identified as excess to the Department's needs. In some cases, these facilities have been excess for nearly 40 years. Excess facilities exist at the majority of sites across the complex, are a drain on the Department's limited resources, and pose potential health risks. In addition, these facilities are deteriorating, causing the cost of performing surveillance and maintenance to increase while at the same time providing limited or no value to the mission of the Department's programs. As time passes, the potential for negative impacts to worker safety and the environment will continue to increase. The Department has nearly 1,200 excess facilities totaling almost 16 million square feet. The cost of performing surveillance and maintenance on these facilities was estimated to be more than \$70 million in Fiscal Year (FY) 2000 and will continue to increase over time.

The facility pictured below is a prime example of a deteriorating facility that is excess to the Department's needs.



Krypton-85 Enrichment and Metal Segmenting Facility

The final disposition of excess facilities typically includes surveillance and maintenance to keep the facility safe; deactivation to clear the facility and shut off non-essential systems; and decommissioning, the final action necessary for unrestricted release of the facility or restricted release for re-use. The Office of Environmental Management is responsible for dispositioning all of the Department's contaminated excess facilities. Other programs that own contaminated facilities may transfer them to Environmental Management for final disposition after they have been stabilized. Excess facilities that are not contaminated remain the responsibility of the respective program, but still must be dispositioned. Due to increasing constraints being placed on the Department's limited resources, it is imperative that decisions be made to ensure that dispositioning activities occur in the most effective manner. Furthermore, the risks to workers and the environment associated with excess facilities should be mitigated to the extent possible.

Given the need to dispose of excess facilities, the objective of our audit was to determine whether the Department prioritized facility disposition consistent with its current missions and to minimize overall risks and costs.

CONCLUSIONS AND OBSERVATIONS

The Department did not fully consider mission requirements, risk reduction, and costs when prioritizing facility disposition activities. In some cases, disposition plans were in conflict with requirements for new facilities planned for ongoing missions. In other instances, facilities posing little or no risk to human health and the environment were decommissioned while disposition of facilities that had much higher associated risks had not been addressed. Finally, sites had not completed cost-benefit analyses needed to fully consider the relationship between recurring surveillance and maintenance costs and one-time decommissioning costs. The Department (1) lacked a corporate approach to facility disposition activities, (2) did not have reliable and complete cost and performance information essential to sound decision-making, and (3) did not sufficiently fund facility disposition activities. As a result, the Department's national security and science mission accomplishment may be hindered, and over time, risks to workers and the environment may be increased as facilities continue to deteriorate. In addition, the Department will continue to pay over \$70 million annually for surveillance and maintenance on facilities that are excess to the Department's needs.

To its credit, the Department has taken some early steps to improve the stewardship of excess facilities across facilities across the complex. For example, both the Office of Science and the National Nuclear Security Administration's Office of Defense Programs are attempting to implement policies for dealing with excess facilities and have required their sites to develop infrastructure improvement plans that should address the disposition of these facilities. Additionally Defense Program's Ten-Year Comprehensive Site Plans include some planning information relevant to the management of excess facilities. In our judgment, however, both the Science and Defense Programs plans fall short of fully addressing the excess facilities issue. Further, the Office of Management, Budget and Evaluation/Chief Financial Officer recently issued draft policy that if adopted, could improve management of the Department's assets. Environmental Management also deserves credit for dedicating millions of dollars to disposition projects. It has also added a line item to its budget in an attempt to fund the disposition of Defense Programs and Science contaminated excess facilities.

The audit identified issues that management should consider when preparing its yearend assurance memorandum on internal control.

(Signed)
Office of Inspector General

DISPOSITION OF EXCESS FACILITIES

Prioritizing the Disposition of Excess Facilities

The Department did not prioritize the disposition of excess facilities among, or even within, programs. We found that no prioritized list of excess facilities existed at the corporate level or at the program office level. There was no complex-wide prioritization of excess facilities within Environmental Management's area of responsibility. Moreover, at four major Department sites visited, disposition activities were not prioritized to fully account for mission requirements, or to minimize risks and life-cycle costs. At the Y-12 National Security Complex (Y-12) and Oak Ridge National Laboratory (ORNL), disposition plans appeared to conflict with requirements for new facilities. In other instances, facilities posing little risk to human health and the environment were demolished while the final disposition of riskier buildings had not been addressed. Finally, some of the sites did not perform site-wide cost-benefit analyses on costs associated with the surveillance, maintenance, and disposition of excess facilities.

Mission Requirements

Individual program offices did not always consider the mission needs of other programs across the complex. For example, Environmental Management's disposition plans were in conflict with Defense Programs' draft modernization plans for Y-12. Defense Programs' plans included construction of a new Enriched Uranium Manufacturing Facility as early as FY 2007 where an excess facility, Alpha-4 (9201-4), now stands. The Manufacturing Facility is critical to the Defense Programs national security mission and will replace current aging and oversized Enriched Uranium operations facilities.

Environmental Management was responsible for Alpha-4's disposition. However, there were no plans for demolition in the Environmental Management baseline.



Alpha-4 at Y-12

Environmental Management was also responsible for other disposition projects at Y-12 whose schedule may have an adverse impact on Defense Programs' modernization plan. For example, an official at Y-12 commented that the General Plating Shop (9401-2), an excess facility, sits on valuable real estate that could be used to support the modernization plans at the site. However, Environmental Management may not complete disposition of this facility until FY 2009.

In addition, Environmental Management was responsible for the disposition of more than 70 excess facilities and 226,000 square feet at ORNL that, if left in place for an extended period, could hinder Science's long-term goals for that site as well. Although there was no immediate need for this land, Science reported that additional research and development activities could occur in the central part of the site after Environmental Management dispositions these excess facilities.

Risk Reduction

Across the Department, facilities were dispositioned that posed little or no risk to workers or the environment. At the same time, several facilities that pose more serious threats to the workers and the environment remained. For example, of 26 facilities Environmental Management decommissioned at the Hanford Site (Hanford) in FY 2000, 16 were office trailers that posed extremely low risk. However, several riskier facilities were not addressed in FY 2000, including:

- The Fabrication Mockup Shop Building (272-E) at Hanford, which was known to be a risk to worker safety because pieces of the building dislodged in high winds;
- The Krypton-85 Enrichment and Metal Segmenting Facility (3026) at ORNL, which needed a new roof to prevent a potential spread of contamination via rainwater. This building had deteriorated to such a point that site management was unable to perform routine surveillance and maintenance on the facility and was having difficulty procuring a contractor willing to replace the roof; and,
- The Building 12-024 Complex at the Pantex Plant, which contributed to groundwater contamination at the site and posed potential hazards to workers as a result of structural and biological hazards.

Cost-Benefit Analysis

Sites had not completed cost-benefit analyses needed to fully consider the relationship between recurring surveillance and maintenance costs and one-time decommissioning costs. Neither Defense Programs nor Science had completed site-wide cost-benefit analyses, and no adequate Departmentwide cost-benefit analysis existed. Although a facility may be completely abandoned, surveillance and maintenance will still be required to keep the facility safe until it has been decommissioned. Surveillance and maintenance costs are typically dependent on the size of the facility and the associated risks posed to human health and the environment. Decommissioning costs are also dependent on the size and associated risks of the facility. Because decommissioning is the final stage in the lifecycle of a facility, these should be the final costs associated with the facility. We believe that comparing these costs is essential to prioritize final disposition of excess facilities to achieve the maximum economic benefit.

Requirements for Dispositioning

The Department requires that excess facilities be managed in a safe and cost-effective manner and that related decisions should focus on furthering the missions of the Department. Department Order 430.1A requires that stewardship of the Department's physical assets be accomplished in a safe and cost-effective manner to meet the Department's mission, and to ensure protection of workers, the public, and the environment. This Order also requires a corporate approach be taken towards facilities management and the programs to establish a method for prioritizing infrastructure requirements. Furthermore, the landlord program office at each site is responsible for prioritizing and budgeting for real property needs in a manner consistent with current and planned site mission activities.

Facilities Disposition Approach

The Department was unable to effectively prioritize facility disposition because it lacked a corporate approach to these activities. Additionally, program offices did not have reliable or complete information on costs associated with excess facilities management or on decommissioning performance. Finally, the program offices did not designate sufficient funding for disposition activities.

Lack of a Corporate Approach

Excess facilities were the responsibility of at least three different programs and were not managed at a complex-wide level. Environmental Management, Defense Programs, and Science were responsible for managing excess facilities within their respective programs. However, these programs did not coordinate their activities with other programs or resolve competing mission requirements. Furthermore, while the Office of Management, Budget and Evaluation/ Chief Financial Officer was responsible for gathering facility information on a complex-wide basis, it did not manage or obtain funding for disposition of the Department's excess facilities inventory.

The Department has been criticized in the past for its lack of centralized facility management. A 1997 Environmental Management study¹ concluded that if disposition of excess facilities was prioritized across all sites and addressed with a single "pool" of budget dollars, savings of

¹This report, *The Impact of Excess Facility Disposition on Near-Term Budgets and Long-Term Infrastructure Planning in the U.S. Department of Energy*, was the basis for briefings to Departmental management, but was never issued as a final report.

\$1.6 billion and a 13-year reduction in cleanup schedule could be achieved. In our September 2000 report on *Management of the Nuclear Weapons Production Infrastructure* (DOE/IG-0484), we concluded that no one individual within the National Nuclear Security Administration was assigned responsibility for integrating 10-year site information (including excess facilities) to provide a Departmentwide overview of key information. Furthermore, a Facility Environmental Vulnerability Assessment completed in June 2001 at ORNL reported that each program has its own priorities that may not be in sync with others. The Assessment also concluded that a more holistic approach was necessary to ensure effective coordination of the programs and more efficient utilization of resources.

Reliable and Complete Information

Program offices did not have reliable or complete information on costs associated with excess facilities management nor did they report accurate and balanced decommissioning performance results. The Department is charged with managing its facilities – including their ultimate disposition – in a cost-effective manner. In order to do so, sites or program offices need relevant cost data associated with surveillance, maintenance, decommissioning, and any other significant aspect of the disposition process. Once such data is captured, we believe it should be validated, analyzed, and factored into decision-making processes. Without relevant and reliable cost data, the Department could not ensure, or demonstrate to stakeholders and taxpayers, that its disposition decisions made economic sense.

We found significant problems with the collection and analysis of cost data both at the sites we visited and at Headquarters program offices. For example:

- Hanford did not always collect surveillance and maintenance costs on a per-facility basis, while Y-12 did not collect these costs at all, making cost comparisons among potential disposition projects impossible;
- Dispositioning cost estimates at some sites were based on rough orders-of-magnitude estimates with no supportable documentation to permit a solid cost-benefit analysis; and,
- Departmentwide crosscut data regarding excess facilities was not complete or accurate.

We also observed that Environmental Management's reporting of performance results was potentially misleading. For example, we found that although Environmental Management claimed to have decommissioned six facilities at Argonne National Laboratory, the work related to only two buildings, one of which was not completed in FY 2000. We noted a similar occurrence at one other site. Also, Environmental Management reported it had nearly met its decommissioning goal of 82 facilities in FY 2000 by decommissioning 77 facilities. However, we found that many facilities dispositioned by Environmental Management were trailers that posed little or no risk to workers or the environment or were only partial facilities. Without accurate reporting on performance, the Department cannot effectively plan and prioritize future disposition activities.

Insufficient Funds Designated for Disposition

Finally, we found that Science and Defense Programs chose not to provide significant funds for disposition activities. For example, while the Science budget at ORNL was \$465 million in FY 2001, it dedicated virtually no funds to dispositioning activities and had not completed a decommissioning project at ORNL since FY 1994. In addition, Defense Programs budgeted more than \$1.1 billion at Los Alamos National Laboratory in FY 2001, but dedicated only \$3.7 million to dispositioning activities.

Regarding funding, during our review we spoke to Department of Defense officials, who recently faced similar problems with excess facilities. The Department of Defense was also struggling to balance the need to dispose of excess facilities, and the associated costs, with high priority continuing missions. The Department of Defense adopted an approach that included increased funding for disposition activities. It also implemented a square foot for square foot policy on new construction; meaning that for every square foot of new facility constructed an equal amount of excess facility square footage would have to be eliminated. As a result of these new policies, the Department of Defense estimated that it eliminated 45 million square feet of excess building space, saving \$90 million annually, and potentially reducing risks. Based on our review, we concluded that unless the Department adopts a corporate approach, whether modeled after the Department of Defense's disposal initiative or some other alternative, funding may continue to be problematic.

Cost and Programmatic Implications

The Department's current structure for managing excess facilities and its lack of progress in dispositioning excess facilities may present obstacles to completing mission activities; increase risks to workers and the environment; and result in significant unnecessary costs.

In some instances, the continuing presence of excess facilities may prevent the Department from successfully accomplishing its missions. As noted earlier, if Environmental Management leaves the Alpha-4 facility at Y-12 in place as currently planned, Defense Programs may have to delay construction of its Enriched Uranium Manufacturing Facility. This could result in increased maintenance costs and missed opportunities for operational efficiencies. Similar concerns were raised by other program managers at the sites we visited.

The risks to workers and the environment may also increase as excess facilities remain in place and continue to deteriorate. In 2000, Defense Programs issued the *Facilities and Infrastructure Assessment*, which documented that the Department's excess facilities are in poor condition and the potential for an adverse environment, safety, and health event increases over time. Officials at the sites visited acknowledged that the risks associated with maintaining excess facilities continue to increase over time as the buildings continue to deteriorate.

In addition, the Department will continue to spend millions of dollars for surveillance and maintenance on excess facilities, and will likely face increased dispositioning costs in the future. In fact, a 1994 Department review² concluded that it is more effective and subsequently less expensive to address excess facility management up front rather than to postpone taking actions. The 1997 Environmental Management study identified several benefits to dispositioning excess facilities in the near-term, including significant long-term cost savings and efficient completion of the Department's missions. Absent eliminating these excess facilities, the Department will continue to pay over \$70 million annually for surveillance and maintenance on facilities that are excess to the Department's needs. At just the four sites we visited, the Department paid more than \$39 million for surveillance and maintenance activities in FY 2001 and expects to spend more than \$41 million for these activities in FY 2002. We also found that:

² *Surplus Facility Inventory and Assessment Report*, FY 1994

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- Roof repairs on excess facilities at ORNL cost \$1.4 million in FY 2001 and may exceed \$750,000 in FY 2002.
 - Immediately dispositioning the SP-100 GES Test Facility (309) at Hanford could save \$1.5 million per year in surveillance and maintenance costs, as well as avoiding any future increases in disposition costs. The disposition was estimated at \$13.9 million, but the Department has spent nearly \$12 million for surveillance and maintenance to date.
 - Waste disposal costs for demolition projects completed after FY 2004 may increase at LANL an average of \$200,000 per project as a result of changing landfill waste acceptance criteria.

RECOMMENDATIONS

We recommend that the Director of the Office of Management, Budget and Evaluation/Chief Financial Officer work with the National Nuclear Security Administration and the Offices of Science and Environmental Management to:

1. Develop and implement a corporate approach to managing infrastructure activities to ensure that excess facilities are prioritized for disposition on the basis of mission need, risk, and cost. Such an approach should include:
 - A single entity or office to resolve conflicts between disposition requirements and mission priorities; and,
 - A system to collect sufficient data to make cost-benefit decisions regarding the disposition of excess facilities.
2. Establish performance measures for the effective and efficient management of dispositioning excess facilities that convey the true nature of the progress being made.
3. Identify alternative funding approaches for facilities disposition, including those adopted by the Department of Defense.

**MANAGEMENT
REACTION**

Management agreed in principle with our findings and recommendations. The Department agreed to take steps to improve the disposition of excess facilities, including developing a new policy to establish a more corporate approach to facility and infrastructure management. However, in regards to our first recommendation, management commented that Environmental Management's primary mission is to complete cleanup and close sites. Management further emphasized that disposition of excess facilities must be balanced against the risk and cost associated with other cleanup requirements. Management's comments have been included in their entirety in Appendix 3.

AUDITOR COMMENTS

Planned corrective actions were responsive to our recommendations. We believe that effective implementation of a new policy to establish a corporate approach to disposition will aid management in resolving competing mission priorities of program offices and lead to improved management of excess facilities by the Department.

Appendix 1

SCOPE

This audit was performed from May to December 2001 at Department Headquarters in Washington, DC and Germantown, MD. Site visits were made to the Los Alamos National Laboratory in Los Alamos, NM; the Richland Operations Office in Richland, WA; and, the Oak Ridge National Laboratory and the Y-12 National Security Complex in Oak Ridge, TN.

The scope of our audit was limited to the disposition of excess facilities within the Offices of Defense Programs, Environmental Management, and Science.

METHODOLOGY

To accomplish our audit objective we:

- Reviewed prior Office of Inspector General reports to identify concerns associated with maintaining and dispositioning excess facilities throughout the Department.
- Reviewed reports prepared by other Departmental programs to identify concerns related to our audit and determined whether actions were taken by the responsible program to correct any problems identified in these reports.
- Obtained and reviewed applicable Departmental directives and Congressional language related to the maintenance and disposition of excess facilities.
- Held discussions with officials from the Department of Defense and reviewed documentation to support policies for dispositioning excess space with the Department of Defense.
- Held discussions with officials within the Offices of Defense Programs, Environmental Management, Science and Management, Budget and Evaluation/Chief Financial Officer regarding the process used by the Department to prioritize and disposition excess facilities.
- Determined if the Department established performance measures to measure the effectiveness of managing excess facilities and whether the results of these measures demonstrated progress in eliminating excess space throughout the complex.

We conducted the audit in accordance with generally accepted Government auditing standards for performance audits, and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed internal controls and performance with regard to the process used by the Department to prioritize and disposition excess facilities. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We placed limited reliance on computer-processed data to accomplish our audit objective and performed limited test work of data reliability during our audit.

We held an exit conference with the Offices of Environmental Management and Management, Budget and Evaluation/Chief Financial Officer on March 22, 2002. The Office of Science and the National Nuclear Security Administration waived an exit conference.

PRIOR REPORTS

- *Management of the Nuclear Weapons Production Infrastructure*, (DOE/IG-0484, September 2000). Current and future goals of the Stockpile Stewardship Plan are at risk because the nuclear weapons production infrastructure had not been adequately maintained. The Office of Inspector General (OIG) reported that the Department did not have an overall implementation approach to manage its nuclear weapons production infrastructure and operated under funding constraints. It was also reported that no one individual was assigned responsibility for integrating information for a Departmentwide overview of key information.
- *Audit of the Deactivation, Decontamination, and Disposal of Surplus Facilities at the Savannah River Site*, (ER-B-98-01, October 1997). The Department could have avoided annual costs of about \$1.3 million in surveillance and maintenance costs by spending \$1.2 million to deactivate a project. The OIG reported that the Operations Office did not compile a site-wide list, establish priorities, or provide sufficient funding for the deactivation, decontamination, and disposal of surplus facilities.
- *Facilities Information Management System*, (DOE/IG-0468, April 2000). The ability of Departmental management, Congress, and other Federal agencies to use FIMS data to make informed decisions pertaining to real property holdings was questionable. The OIG reported that information included in FIMS was inaccurate and incomplete because many field sites maintained their own site-specific real property systems and did not use FIMS to manage property.
- *Decontamination and Decommissioning at the East Tennessee Technology Park*, (ER-B-99-01, December 1998). The Department could incur \$34.5 million in unnecessary surveillance and maintenance costs between FYs 1998 and 2002 for a building that posed significant risks to workers and the environment. The OIG reported that the Oak Ridge Operations Office reduced health, safety, and environmental risks through D&D projects at the ETTP. However, the major ongoing D&D project at the ETTP did not involve the facility that posed the greatest risks from exposure to radioactive waste, hazardous or toxic materials, and structural collapse.



Department of Energy
Washington, DC 20585

MAR 14 2002

MEMORANDUM FOR: GREGORY H. FRIEDMAN,
INSPECTOR GENERAL

FROM: BRUCE M. CARNES *BMC*
DIRECTOR, OFFICE OF MANAGEMENT, BUDGET AND
EVALUATION/CHIEF FINANCIAL OFFICER

SUBJECT: MANAGEMENT RESPONSE ON THE INSPECTOR
GENERAL'S DRAFT REPORT ON "DISPOSITION OF THE
DEPARTMENT'S EXCESS FACILITIES"

This memorandum transmits the Department's management response to the Inspector General's draft report on "Disposition of the Department's Excess Facilities." This response has been coordinated with the National Nuclear Security Administration, the Office of Environmental Management, and the Office of Science.

Attachment



Printed with soy ink on recycled paper

**UNDER SECRETARY FOR ENERGY, SCIENCE AND ENVIRONMENT, OFFICE OF
MANAGEMENT BUDGET AND EVALUATION/CHIEF FINANCIAL OFFICER
MANAGEMENT RESPONSE ON THE INSPECTOR GENERAL'S DRAFT REPORT
ON "DISPOSITION OF THE DEPARTMENT'S EXCESS FACILITIES"**

Recommendations:

1. Develop and implement a corporate approach to managing infrastructure activities to ensure that excess facilities are prioritized for disposition on the basis of mission need, risk, and cost. Such an approach should include: a single entity or office to resolve conflicts between disposition requirements and mission priorities; and a system to collect sufficient data to make cost-benefit decisions regarding the disposition of excess facilities.
2. Establish performance measures for the effective and efficient management of dispositioning excess facilities that convey the true nature of progress being made.
3. Identify alternative funding approaches for facility disposition, including those adopted by the Department of Defense.

Management Response:

The Department concurs in part with the first recommendation. We agree in principle that excess facilities should be managed and prioritized for disposition on the basis of mission need, risk, and cost, and will develop and implement a process to consider these factors in decisions regarding disposal of these facilities. Each Departmental program must consider disposition of its excess facilities in the context of other requirements.

The Office of Environmental Management (EM), which is currently responsible for the greatest number of excess facilities, and ultimately for the disposition of other contaminated facilities within the Department, must prioritize the disposition of excess facilities in light of its mission to complete cleanup and close sites. Facility disposition represents only one aspect of EM's entire cleanup mission; therefore, the risk and cost associated with any individual excess facility must be balanced against the risk and cost associated with other environmental cleanup requirements.

Because disposition drivers vary from site to site, improved site-level planning, consistent with the Field Managers' and Lead PSOs' responsibility for overall safety and operations at their sites, appears to be the appropriate mechanism to ensure that facility disposition priorities support mission need, risk reduction efforts, and cost allocations. To facilitate the development of an improved, and more corporate approach for facility and infrastructure management, the Office of Management, Budget, and Evaluation has begun an effort with all programs and other staff offices to develop a new directive or revise the existing Order DOE O 430.1A, Life Cycle Asset Management. This effort will identify other necessary changes, establish a more common direction, and clarify responsibilities.

Congress has recently directed the development of ten-year site infrastructure plans that integrates facility disposition planning as part of the infrastructure improvements. Therefore, planning requirements and data reporting needs at field, program and corporate levels will be examined through the directive development effort mentioned earlier. The National Nuclear Security Administration (NNSA), Office of Science (SC) and EM are participating in this process.

Estimated target date for completion: December 2002 for the directive.

The Department concurs with the second recommendation. Performance measures for managing and reporting on elimination of excess facilities is an area that requires improvement. Several program level initiatives are already under way. Because facility disposition is a key component of EM's mission, and a necessary step for site closure, EM already tracks facility deactivation and decommissioning (D&D) as performance measures in its Integrated Planning, Accountability, Budgeting System (IPABS). However, while IPABS tracks the number of facilities that are, or will need to be D&D'd, EM does not collect any information describing individual facilities. In the next update of its information system, EM is requesting additional data that will identify, by facility, the range of facility D&D, and surveillance and maintenance costs. With this information, EM can better determine and describe the type of progress being made, without unduly burdening the field.

SC has proposed establishment of a new sub-program under the Science Laboratories Infrastructure program titled "Excess Facilities Disposition." Performance will be measured by the number of facilities eliminated, and associated square footage eliminated or made re-usable. SC's goal is to clean up/remove all of the current backlog of SC excess facilities, not candidates for transfer to EM, by the end of FY 2008.

NNSA has established, within its Facilities & Infrastructure Recapitalization Program, a facilities disposition component that will specifically address footprint reduction, lowering of surveillance and maintenance costs, and other landlord responsibilities at the NNSA sites. Additionally, NNSA is in the process of developing corporate performance measures for FY 2003 to monitor the effectiveness of its execution of the facilities disposition initiative. Site specific operational measures will then be prepared by each site, tiered off the corporate measure. NNSA, beginning in FY 2002, is utilizing each site's Ten Year Comprehensive Site Plan to capture the inventory of surplus facilities and the potential resources required to reduce each site's inventory.

Congress has directed that, beginning with the FY 03 Congressional Budget request, the Department report the amount of excess facilities eliminated and new facilities completed, by site, on a "one-for-one" basis, similar to the Department of Defense's formula noted in the draft IG report. Related to this effort, the Integrated Facilities and Infrastructure budget will begin to explicitly identify excess facility elimination projects and associated costs in the FY 04 Congressional Budget request. From current program efforts, data and reports will be available from which progress in eliminating excess facilities can be measured.

Estimated target date for completion: The new data on EM facilities will be available by the end of FY 2002. The initial Congressional report on the elimination of excess facilities will be submitted in March 2002 with full implementation by December 2002.

While the Department concurs with the third recommendation, we believe that the draft report does not yet reflect the Department's efforts to draft agency specific and government-wide legislation to provide new funding tools for dealing with excess property. Consistent with Congressional direction, the Department is conducting a study in FY 2002 to examine the use of new public-private partnerships for eliminating excess facilities. Additionally, the Department has implemented several Congressional actions that will further the elimination of excess

facilities. Specifically, Congress has required that at least 25% of the funding for Facilities and Infrastructure (F&I) programs at SC and NNSA go toward eliminating excess facilities. For example, Science has allocated all \$10 million provided by Congress for its F&I program to clean up or remove approximately 400,000 square feet of excess/unusable space that will reduce risk and produce annual operating savings of approximately \$1.8 million. The programs will certify that risk reduction and cost-benefit analyses have been performed on projects funded through F&I accounts. As mentioned earlier, results will be reported annually to Congress beginning with the FY 03 budget request. EM agrees that while alternative funding approaches should be identified and explored, they will continue to make every effort to make more progress and risk reduction with the funding they currently have.

Expected completion date: Work for legislative changes will be ongoing. The initial Congressional report on the elimination of excess will be submitted in March 2002. Full integration of the elimination efforts and budget reporting processes will be implemented by December 2002.

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