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UNITED STATES GENERAL ACCOUNTING OFFICE  
Washington, D.C. 20548

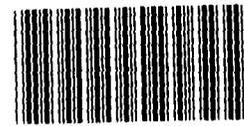
FOR RELEASE ON DELIVERY  
Expected at 1:00 p.m.  
Monday, September 26, 1983

SUMMARY STATEMENT  
OF  
F. KEVIN BOLAND  
SENIOR ASSOCIATE DIRECTOR, RESOURCES, COMMUNITY  
AND ECONOMIC DEVELOPMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON ENERGY CONSERVATION AND POWER  
HOUSE ENERGY AND COMMERCE COMMITTEE  
ON  
CERTAIN DEPARTMENT OF ENERGY PROCUREMENT PRACTICES  
AND THE RESIDENTIAL CONSERVATION SERVICE

In response to several concerns raised in your May 19, 1983 request, we reviewed the financial planning and procurement review practices in the Office of the Assistant Secretary for Conservation and Renewable Energy. We reported that

- The fiscal year 1983 financial plans for Conservation and Renewable Energy programs appeared to be of questionable value as tools for directing procurements. There was no ready way to determine how specific procurement requests and authorizations compared with planned actions.
- Absent DOE-wide guidelines covering the approval levels of procurement requests and delegation of responsibility, the Assistant Secretary had the discretion to establish his own requirements. In fiscal year 1983, the Assistant Secretary's office began a detailed, time-consuming review process for procurement requests originating within the Office of Building Energy Research and Development.
- Delays in authorization of procurement requests have been primarily for programs in the Office of Building Energy Research and Development. Most of these delays can be attributed in some way to either the request preparation process or the review process by the Assistant Secretary's staff.
- As of June 1983, about 94 percent of the Assistant Secretary's fiscal year 1983 total funds had been authorized compared to only 76 percent of the Office of Building Energy Research and Development.

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--Research Institutions were concerned that reports and other basic research information may not be available after conducting the research because of delays in obtaining authorization for procurement requests.

With respect to our past work examining the implementation of the Residential Conservation Service (RCS), we reported in March 1982 that (1) DOE had not fulfilled its program administration and enforcement responsibilities, (2) limited budgets and inconsistent staffing support had hampered RCS program development and implementation, and (3) utilities in States with ongoing RCS programs had widely differing experiences. Based on limited work since that time, we noted that as of late August 1983, a number of States still do not have approved program plans and the RCS Federal Standby Plan had not been finalized.

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Mr. Chairman and Members of the Subcommittee:

We welcome the opportunity to discuss our recent report to you on procurement practices in the Department of Energy's (DOE's) Office of the Assistant Secretary for Conservation and Renewable Energy<sup>1</sup> and our past efforts evaluating the implementation of the Residential Conservation Service (RCS).

In response to several concerns raised in your May 19, 1983 request, we reviewed the financial planning and procurement review practices in the Office of the Assistant Secretary for Conservation and Renewable Energy. We limited our review primarily to those procurement practices affecting programs administered by DOE's Office of Building Energy Research and Development which seemed to be experiencing the most frequent

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<sup>1</sup>Procurement Practices in DOE's Office of the Assistant Secretary for Conservation and Renewable Energy (GAO/RCED-83-234, Sept. 15, 1983). This report was also requested by the Chairman, Subcommittee on Energy Research and Production, House Committee on Science and Technology, and Representative Norman Y. Mineta.

procurement processing delays. The Residential Conservation Service, which is the subject of this hearing, is one such program.

PROCUREMENT PRACTICES OF THE  
ASSISTANT SECRETARY FOR CONSERVATION  
AND RENEWABLE ENERGY

The Assistant Secretary's office has fiscal year 1983 financial plans for funding the Conservation and Renewable Energy programs; however, they appeared to be of questionable value as tools for directing procurements. For the Office of Building Energy Research and Development, the plans merely indicated the status of projects. There was no ready way to determine how specific procurement requests and authorizations compared with planned actions. Furthermore, absent DOE-wide guidelines covering the approval levels of procurement requests and delegation of responsibility, the Assistant Secretary had the discretion to establish his own requirements.

In fiscal year 1983, the Assistant Secretary's office began a detailed review process for procurement requests originating with the Office of Building Energy Research and Development. The process called for detailed reviews regardless of the dollar level of the procurement. This appeared time-consuming, held up requests for new and ongoing projects, and did not allow for delegation of responsibility below the Assistant Secretary level.

Other program offices under the Assistant Secretary, as well as under other DOE offices, seem to have greater latitude in approving procurement requests originating within their respective offices. The Assistant Secretary for Fossil Energy, for example,

apparently approves only those procurement requests exceeding \$1 million whereas his Deputy Assistant Secretaries can approve requests up to \$1 million.

Delays in authorization of procurement requests in the Assistant Secretary's office have been primarily for programs in the Office of Building Energy Research and Development. For example, the authorization rates for this office since January 1983 have been consistently lower than other programs under the Assistant Secretary. As late as June 1983 Building Energy programs were still 18.5 percent lower than these other programs. Also, while requests originating within the Office of Building Energy Research and Development were being approved during the early part of fiscal year 1983 at a rate comparable with fiscal year 1982, in March 1983 the rate was about 37 percent lower than in March 1982. By June 1983, however, the approval activity had increased and the authorization rate was only about 4 percent lower than in June 1982.

For requests originating within the Office of Building Energy Research and Development, most delays can be attributed in some way to either the request preparation process or the review process by the Assistant Secretary's staff. We noted that the Assistant Secretary's office had frequently questioned the quality of requests prepared by the Office of Building Energy Research and Development. For example, questions were raised about the scope of work described and the justifications for using a particular National Laboratory. With respect to the review process, we noted examples where requests sat at the Assistant Secretary's office for 1 or 2 months with no final actions taken. At times, over 50 percent of the dollar value of the Office of Building Energy

Research and Development requests awaiting authorization were either being reviewed by the Assistant Secretary's staff or had been returned to that office for further work.

With respect to the Residential Conservation Program (RCS), which was impacted by these delays, we noted that delays have also resulted from the Assistant Secretary's action to defer spending of \$2.5 million in RCS program funds (more than half this program's budget) from fiscal year 1983 to fiscal year 1984. This deferral is still pending.

Another interest of the Subcommittee is the rate at which fiscal year 1983 funds were being authorized for expenditure. As of June 1983, about 94 percent of the Assistant Secretary's fiscal year 1983 total funds had been authorized. However, only 76 percent of the Office of Building Energy Research and Development funds had been authorized and questions remained concerning how the balance of the funds were to be spent. Also, in some instances, funds (as much as \$630,000 in one instance) were authorized for expenditure but were not available for researchers because the Assistant Secretary's office had required that certain conditions, such as additional definition of tasks, be met before the funds could be released. While officials in the Assistant Secretary's office attribute this to good management practices, laboratory officials stated that these conditions have been made as late as July, which is too late in the fiscal year to work out procurement details.

Finally, to determine how delays in procurement requests have affected conservation and renewable energy programs, we obtained information from the Oak Ridge and Lawrence Berkeley National

Laboratories, the Solar Energy Research Institute, and the National Bureau of Standards. These research institutions complained that they have had to stop some research in "mid-stream" because of delays in obtaining authorization for procurement requests. Institution staff were concerned that reports and other basic research information may not be available after conducting the research. The staff cited examples where they operated during fiscal year 1983 under a threat of employee terminations, although only one institution informed us that it had actually laid-off employees.

I will now briefly discuss our past work evaluating RCS program implementation.

#### RCS PROGRAM IMPLEMENTATION

In March 1982,<sup>2</sup> we reported on DOE's progress in carrying out the RCS program. We examined DOE program administration activities, program budget and staffing, the status and experiences of States in carrying out RCS, and proposed revisions to program regulations.

We reported that DOE had not fulfilled its administrative and enforcement responsibilities under the program. Specifically, DOE had not (1) reviewed State plans and issued necessary regulations in a timely manner, (2) implemented a monitoring system needed to determine program status and whether its enforcement authority should be used, and (3) enforced its Federal Standby Authority as required by statute. We concluded that, as a result, nearly half

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<sup>2</sup>The Residential Conservation Service: Issues Affecting the Program's Future (EMD-82-70, March 29, 1982).

of the States either did not have an RCS program or utilities were not implementing the program consistent with regulations or approved State plans.

With respect to program budget and staffing levels at that time, we reported that while funds made available for RCS program administration in the initial years had been obligated, a portion of fiscal year 1981 funds had been deferred to fiscal year 1982. Further, while the administration had requested no funding for fiscal years 1982 and 1983, funds had been provided by the Congress. Concerning program staffing, we found that despite increasing program responsibilities, staffing had been reduced from 22 to 8 as of February 1982. According to DOE at that time, 15 to 20 full-time staff supported by contractors were needed to fulfill RCS program responsibilities.

Our examination of the progress of States and utilities in carrying out RCS showed that (1) States, and utilities within States, had experienced significantly different program participation rates; (2) program costs varied widely among utilities; (3) some utility programs appeared inconsistent with program regulations; (4) audit results in some areas were questionable; and (5) information on consumers' use of program arranging services was limited. Our findings indicated that utilities were exercising a large degree of flexibility in carrying out the RCS program. In some cases RCS programs were being implemented in a manner inconsistent with DOE regulations.

Finally, we reported that proposed revisions to RCS program regulations at that time were not likely to generate expected cost savings to utilities and could adversely affect the program by

~~reducing audit comprehensiveness, by eliminating the requirement for presenting audit results on-site, and by eliminating requirements for post-installation inspection of completed energy conservation measures.~~

Our follow-up in October 1982 indicated that the situation had essentially remained unchanged with respect to DOE program administration, the progress of States and utilities, and our concerns over program regulations. We noted, however, that RCS staffing had increased to 10 professionals.

This past summer we performed a limited examination of the implementation status of RCS as part of our review of the status of programs to improve the efficiency of the Nation's electrical energy use. DOE told us that 14 States still did not have approved program plans. Further, DOE believed that at least an additional five States were not adequately implementing approved plans based on information provided by States. Finally, regulations for the program's enforcement mechanism, the RCS Federal Standby Plan, still had not been finalized.

That concludes my prepared remarks. I will be happy to respond to questions.