119104

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Analysis Of Energy Reorganization Savings Estimates And Plans

On May 24, 1982, the President transmitted to the Congress proposed legislation to reorganize Federal energy activities. This report addresses

--the relationship of the energy reorganization proposal to the fiscal year 1983 energy budget request,

--the savings estimates developed in support of the reorganization proposal,

--the potential expenses and problems that could be involved in energy reorganization, and

--the need for implementation planning to carry out an effective and efficient reorganization.

119104

GAO/EMD-82-77
AUGUST 2, 1982

022990

Request for copies of GAO reports should be sent to:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are $3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are $1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-208247

To the President of the Senate and the
Speaker of the House of Representatives

This report describes the results of our analysis of the administration's savings estimates and plans to reorganize Federal energy activities. The report concludes that (1) the costs or savings of the proposed reorganization are not reflected in the administration's fiscal year 1983 budget request, and (2) the current savings estimates are poorly documented and are based on inadequate implementation plans.

We have addressed this report to the Congress due to congressional interest in the reorganization proposal. Our work was specifically requested by several congressional committee and subcommittee chairmen. As requested by the committee and subcommittees, we did not obtain the administration's comments on this report. However, we did discuss the contents of our report during its development with administration officials.

We are sending this report to each of the chairmen that requested our review and are providing copies to other energy-related committees and subcommittees. We are also sending copies of this report to the Director, Office of Management and Budget; and the Secretaries of Commerce, Energy, and the Interior.

Charles A. Bowsher
Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

ANALYSIS OF ENERGY
REORGANIZATION SAVINGS
ESTIMATES AND PLANS

D I G E S T

On December 17, 1981, the President proposed that the Department of Energy (DOE) be reorganized and that its functions be transferred to other executive branch agencies. This proposal was incorporated in the administration's fiscal year 1983 energy budget request, and on May 24, 1982, it was introduced in the U.S. Senate as S. 2562, 97th Congress. It provides for the fiscal year 1983 transfer of DOE activities to several executive branch agencies, principally the Department of Commerce.

GAO's review was performed at the request of the chairmen of the several congressional committees listed on page two of this report. In response to their requests, GAO reviewed

--the extent to which the administration's fiscal year 1983 budget proposal recognized reorganization costs and savings;

--the adequacy of documentation in support of the administration's cost savings estimates, and its plans for implementing the reorganization; and

--potential expenses that could be encountered as a result of the proposed energy reorganization.

In summary, GAO found that the administration has not developed reliable information on key aspects of the proposed reorganization. The costs or savings of the proposed energy reorganization are not reflected in the 1983 budget request, the expenses of reorganization have not been assessed, and the current savings estimates are poorly documented and are based on inadequate implementation plans.

ENERGY BUDGET REQUEST DOES NOT REFLECT REORGANIZATION COSTS OR SAVINGS

In submitting its budget request, the administration stated that reductions in energy programs and DOE's reorganization would save $1.3 billion and 3,800 work years during fiscal year 1983. GAO found that in preparing the budget, DOE and OMB concentrated primarily on reducing the overall size of the energy budget request through program and employment reductions. The potential costs or savings effects of the energy reorganization were not assessed during the budget development process, and they are not reflected in the budget submission. (See pp. 4 and 5.)

Consequently, GAO was unable to link the budget proposal directly with the reorganization plan. Although the budget does request reductions in funding for energy activities, these reductions primarily reflect a diminished Federal involvement in certain energy programs, rather than savings that are necessarily related to efficiencies made possible through reorganization. (See p. 5 and 6.)

REORGANIZATION SAVINGS CLAIMS ARE NOT SOUNDLY BASED

Following submission of the energy budget request to Congress in February 1982, the administration's energy reorganization task force projected a goal of saving about $1 billion over a 3-year period as a result of reorganization. This estimate was announced along with the administration's legislative reorganization proposal of May 24, 1982. (See p. 5.)

GAO's review of the documentation underlying this estimate, and discussions with DOE and Commerce officials, showed that the estimate was not adequately documented. The items that compose this estimate reflect (1) energy program changes rather than reorganization, (2) reorganization effects that administration officials could not specifically support, and (3) management actions that could be implemented whether reorganization does or does not occur. Offsetting expenses were not included in this savings estimate. (See pp. 5 to 8.)

As this report was undergoing final processing, the Secretary of Commerce estimated in a June 24, 1982, hearing of the Senate Governmental Affairs Committee, that the proposed reorganization would result in cost-savings of $250 million over a 3-year period. The documentation provided by the Commerce Department shows that this estimate was based on adjustments to the previous estimate of the administration's task force on energy reorganization. Although this is a significant reduction of the $1 billion estimate, the estimate is not adequately documented and does not reflect a full assessment of potential reorganization expenses.

MANAGEMENT AND ADMINISTRATION EXPENSES NEED TO BE CONSIDERED IN REORGANIZATIONS

Although DOE's policies, procedures, and financial and management systems would be available for immediate use following reorganization, there are potential expenses associated both with their continued use and their merger with the systems of other agencies. Depending upon the reorganization approach used, these expenses might be avoided or deferred. It could be necessary, however, to deal with some of the expenses immediately. For example, start-up costs could be incurred in designing new systems for providing payroll, personnel, accounting, and related types of services needed for administrative support of agency operations. (See pp. 8 to 12.)

NEED FOR TRANSITIONAL PLANNING

Previous GAO reviews of Federal reorganizations have shown that sound transitional planning is necessary to ensure an efficient, effective reorganization. Without such plans, agencies have encountered numerous problems ranging from insufficient office space to an inability to provide administrative support for operations. These problems subsequently have given rise to requests for supplemental appropriations.

Although start-up problems are inevitable in a major Federal reorganization, these problems can be managed and alleviated through implementation plans and information that address the time, effort, personnel, and other resources that will be required in carrying out the reorganization.

The administration has taken an appropriate step in establishing a high level interagency task force to assist in the reorganization of DOE's activities. But, the administration has not (1) performed the detailed planning necessary to define how energy functions would be organized, coordinated, managed, and operated, (2) identified the administrative and operational requirements for implementing changes, and (3) documented the costs and savings that could be expected to result from the reorganization. (See pp. 13 to 15.)

- - - -

As requested by the committees, GAO did not seek comments on this report from the Department of Energy or other executive branch agencies mentioned in the report. GAO did, however, discuss the contents of the report with administration officials responsible for energy reorganization matters and considered their comments in preparing the report. (See p. 3 and 10.)

Contents

		Page
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Objectives, scope, and methodology	2
2	ADEQUATE INFORMATION ON REORGANIZATION COSTS AND SAVINGS HAS NOT BEEN DEVELOPED	4
	Energy budget request does not reflect reorganization costs or savings	4
	Reorganization savings claims are not soundly based	5
	Management and administration expenses need to be considered in reorganizations	8
	Conclusions	12
3	NEED FOR TRANSITIONAL PLANNING	13
	Lessons learned from reorganization experiences	13
	Conclusions	14

ABBREVIATIONS

DOE	Department of Energy
GAO	General Accounting Office
OMB	Office of Management and Budget

CHAPTER 1

INTRODUCTION

The development of Federal energy activities has been the subject of far-reaching and rapid changes since the October 1973 oil embargo. These changes were implemented as part of a process to develop refined and effective public energy policies, programs and organizational structures. During the past 2 years, however, the administration has proposed a basic reordering of Federal energy policies and priorities, a reduction of the Department of Energy's (DOE's) scope of activity, and a reconsideration of the need for a separate Cabinet-level energy department.

Energy affairs were given Cabinet-level status by the Department of Energy Organization Act, enacted by the Congress in August 1977, 42 U.S.C. 7101 (Supp. III, 1979). The formation of DOE had its basis in various proposals to consolidate, in one organization, the diverse energy responsibilities of the Federal Government and the multitude of Federal agencies which developed during the mid-1970s. DOE was formed from parts of eight Federal agencies. The DOE Organization Act provided for (1) a Federal energy policy framework within a Cabinet-level department, (2) a clear focus on energy policy and programs, and (3) a central staff capability to analyze a wide range of energy issues.

On December 17, 1981, President Reagan announced a proposal to reorganize Federal energy activities and to eliminate DOE as a Cabinet-level department. This reorganization proposal, as reflected in the administration's fiscal year 1983 budget request, was designed to disperse energy activities among five Federal agencies. On May 24, 1982, following discussions with key Senate leaders, the President transmitted to Congress a revised energy reorganization proposal that was introduced in the Senate as bill number S. 2562, 97th Congress. This reorganization bill is similar to the reorganization proposal that accompanied the energy budget request in that five Federal agencies would receive DOE's current responsibilities. The proposal differs from the earlier version by further concentrating energy policies and programs in the Department of Commerce.

Under the May 24, 1982, reorganization proposal, the Department of Commerce would be provided with the responsibility for energy policy, research and development, international affairs, and emergency preparedness, including management of the Strategic and Naval Petroleum Reserves, and energy information activities. The Department of Interior would gain responsibility for coal mining research and development, the leasing of Federal lands for energy development, and the administration of the five Federal power marketing administrations. Furthermore, the Department of Justice would be given responsibility for completing DOE's regulatory enforcement activities, the Department of Agriculture would become responsible for providing financial assistance for the production of biomass-derived alcohol fuels, and the Federal Energy

Regulatory Commission would become an independent regulatory agency.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our general objective was to review the administration's proposal to reorganize Federal energy activities. Our review was performed from February to May 1982 at the request of chairmen of several congressional committees.

These included the

--Chairman, Senate Committee on Governmental Affairs,

--Chairman, Subcommittee on Energy, Nuclear Proliferation and Government Processes, Senate Committee on Governmental Affairs,

--Chairman, Subcommittee on Fossil and Synthetic Fuels, House Committee on Energy and Commerce,

--Chairman, Subcommittee on Energy Conservation and Power, House Committee on Energy and Commerce, and the

--Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce.

Based on our initial work and discussions with the offices of the chairmen who requested our review, we directed our efforts to examine

--the extent to which the administration's fiscal year 1983 budget proposal recognized reorganization costs,

--documentation in support of the administration's cost-savings estimate,

--potential expenses that could be encountered as a result of the proposed energy reorganization, and

--the adequacy of the administration's existing plans for implementing the reorganization.

This report discusses the planning and financial implications of energy reorganization that are applicable to S. 2562 and that are responsive to the interests expressed by the offices of the congressional committee chairmen who requested this report.

As a starting point for this review, we used GAO reports on executive branch reorganizations to identify typical reorganization problems, potential areas of expense, and the planning

efforts required for managing transition activities. We interviewed DOE officials familiar with the energy reorganization issues considered when DOE was created and obtained documentation on the issues considered at that time. We also interviewed officials of the administration's Task Force on Energy Reorganization, and the Departments of Energy, Commerce, and the Interior. In addition, we identified the actions needed to merge energy activities into other agencies and determined the extent to which known reorganization expenses were included in the energy budget request from its origins in DOE, through its submission to and negotiation with the Office of Management and Budget (OMB), and its final approval by the administration.

In conducting our review, we followed the standards established by the Comptroller General of the United States for auditing Governmental organizations, programs, activities and functions.

CHAPTER 2

ADEQUATE INFORMATION ON REORGANIZATION COSTS AND SAVINGS HAS NOT BEEN DEVELOPED

In submitting its fiscal year 1983 budget request, the administration stated that reduced funding for energy programs, along with DOE's reorganization, would result in budget savings. Although the lower funding effects of diminished Federal involvement in certain energy programs are obvious, neither the budget request nor the documentation on its development provide evidence of the various cost savings that would be related to the reorganization initiative. In addition, the administration's estimates of potential cost savings made after the budget submission are not adequately documented and do not fully recognize the potential expenses associated with the reorganization.

ENERGY BUDGET REQUEST DOES NOT REFLECT REORGANIZATION COSTS OR SAVINGS

The fiscal year 1983 energy budget request reflected the administration's proposed changes in individual energy programs and its energy reorganization plan. The request totaled $11.8 billion and showed energy functions divided among the Departments of Commerce, the Interior, Justice, Agriculture, and the Federal Energy Regulatory Commission. In its explanation of this budget request, the administration stated that reduced funding for energy programs, along with DOE's reorganization, would produce an estimated budget savings of $1.3 billion and employment reductions of 3,800 work years during fiscal year 1983. 1/ Although the budget does request reductions in funding for energy activities, these reductions primarily reflect a diminished Federal involvement in certain energy programs, rather than savings that are necessarily related to efficiencies made possible through reorganization.

In attempting to determine the bases of the budget savings, and the portions that would be attributable to program savings and to energy reorganization, we reviewed the development of the energy budget request from the initial budget instructions of OMB through the final budget negotiations within the administration. This included a review of documentation on the detailed budget justification supporting DOE's initial submission to OMB and the issues papers prepared by DOE for discussion during the final White House review. We found that in preparing the budget, DOE and OMB concentrated on reducing the overall size of the energy budget request through program and employment reductions, and did not prepare any specific analysis or explanation of reorganization

---

1/ "Major Themes and Additional Budget Details, Fiscal Year 1983," Office of Management and Budget, February 1982.

savings. Consequently, we were unable to link the budget proposal directly with the reorganization plan. DOE officials told us that the timing of the budget preparation process left little time for detailed consideration of the impact of reorganization, and that they could not provide a breakdown of the reorganization's impact on the Department's accounts. In March 1982 congressional testimony, DOE officials stated that once Congress makes a decision on reorganization, the effects on personnel relocations, computer systems, consolidations, and the merger of administrative functions could be developed, and the administration would reassess its budget requirements and propose appropriate adjustments. 1/

REORGANIZATION SAVINGS CLAIMS ARE NOT SOUNDLY BASED

Following submission of the energy budget request to Congress in February 1982, a separate estimate of the financial effects of its energy reorganization proposal was completed. It was prepared by DOE and Department of Commerce officials assigned to the administration's energy reorganization task force. The task force projected a goal of saving about $1 billion over a 3-year period as a result of reorganization. This estimate was used in March 1982 legislative briefings of key Senate leaders and was announced along with the administration's legislative reorganization proposal of May 24, 1982.

To determine the basis for this estimate, and the extent to which it considered potential reorganization expenses and savings, we reviewed the documentation provided by DOE and Commerce officials who participated in its development. We also discussed with them the assumptions that they made in developing the estimates.

We found that the savings estimate is composed of two general categories. These include (1) savings related to personnel reductions and (2) changes in management practices or methods of conducting Government business. As shown in the following table, the total of these savings estimates is $424 million, which was then projected over a 3-year period to arrive at the administration's $1 billion overall reorganization savings estimate.

1/ Testimony of William S. Heffelfinger, Assistant Secretary for Management and Administration, U.S. Department of Energy, before the Subcommittee on Energy and Water Development, House Committee on Appropriations, March 17, 1982.

Table 1

Reorganization Savings Projected by the Administration's Reorganization Task Force

	Savings (millions)
Personnel savings	
Consolidation of general staff areas	$ 16
Program-induced personnel reductions	18
Consolidation of staff in two locations	23
Realinement and streamlining of field operations and installations	38
Changes in business methods	
Integration of ADP purchases	200
Computer system timesharing	18
Changes in grants management practices	24
Consolidation of administrative systems	13
Comprehensive auditing of DOE's contractor operated programs	50
Consolidation of complimentary activities	20
Contracting for services now provided by Federal employees	4
	$424

Personnel savings

The personnel savings estimates were developed by DOE and are based on the administration's proposed reductions from DOE's fiscal year 1982 employment levels. In reviewing the supporting documentation for these estimates, we noted that the effect of reorganization on the personnel savings could not be determined. However, DOE officials, in transmitting these estimates to the Department of Commerce during February 1982, pointed out that the personnel cost-savings were primarily related to funding reductions in DOE programs. We discussed these estimates and their supporting documentation with DOE officials, and they agreed that the estimates primarily reflect the program changes contained in the fiscal year 1983 energy budget request rather than the effects of reorganization. These officials also could not identify the portion of the personnel reductions that would occur as a result of reorganization.

Changes in business methods

The estimates in this category relate to savings based on merging the operations of DOE and Commerce and changes in the manner of conducting DOE activities. Those savings based on merger total $251 million and include possible economies through the integration of large-scale ADP equipment purchases, computer timesharing, consolidation of administrative systems, and consolidation of complementary activities. Those savings based on changes in DOE's methods of operations total $78 million, and assume economies through changes in DOE's auditing methods, contract administration methods, and contracting for certain services now provided by Federal employees.

In reviewing the documentation of the savings estimates based on merging the operations of DOE and Commerce, we were unable to determine the basis for the estimates or key assumptions upon which they were based. For example, we were unable to determine the types or specific automated systems that would be merged to produce a $200 million savings. Commerce officials had no specific explanation in support of the estimate. They were also unable to explain how this estimate, which was originally described as requiring 4 years to complete, could be achieved within the 3-year time period specified for achieving the administration's $1 billion savings goal. In addition, neither the available documentation nor the statements of Commerce officials provided insight on the specific DOE and Commerce complementary activities that would be consolidated to save $20 million.

Our review of the documentation supporting the savings estimates based on changes in the methods of operating DOE shows that it is unrelated to reorganization. For example, the estimate that $50 million can be saved by changes in auditing practices is based upon Commerce officials' assessment of DOE's audit coverage of contractor-operated activities. According to this assessment, DOE's contractor operated activities do not receive sufficient audit coverage. Consequently, Commerce officials assumed that, if these contractor-operated activities were more frequently and thoroughly audited, and if the savings from these audits would equal the average savings attained by audits of Commerce's Inspector General, then one percent of the $5 billion cost of DOE contractor operations could be saved. Commerce officials agreed this estimate is speculative and that a change in the methods of auditing contractors is not dependent upon a reorganization. DOE officials pointed out that their contractor operations do receive audit coverage, and that they were concerned with the accuracy of such a highly speculative estimate because it could give the incorrect impression that there is a significant amount of serious fraud, waste and abuse involved in energy research and development efforts.

Offsetting expenses

We reviewed the documentation supporting each of the cost savings estimates described above to determine whether offsetting expenses were considered. Offsetting expenses would be involved in many of the savings categories according to both DOE and Commerce officials who developed the estimates. However, these officials told us that they had not considered such expenses in developing their cost-savings estimates.

MANAGEMENT AND ADMINISTRATION EXPENSES NEED TO BE CONSIDERED IN REORGANIZATIONS

Our reviews have shown that, although Federal reorganizations can result in efficiencies and cost-savings, there are usually expenses that are associated with them. The types and amounts of these expenses vary according to the type of reorganization involved. Typical expenses are related to

--redesigning and consolidating automated management and administrative systems,

--establishing uniform controls over contracts, property, and financial resources,

--changing the structure and reporting relationships of field organizations,

--establishing consistent planning and budgeting systems, and

--changing office space, moving furniture and equipment, and relocating personnel.

Costs and timing of integrating management and administration activities

Although DOE's policies, procedures, and financial and management systems would be available for immediate use following reorganization, there are potential expenses associated with their continued use in other agencies. Depending upon the reorganization approach used, these expenses might be avoided or deferred. It could be necessary, however, to deal with some of the expenses immediately. For example, start-up costs could be incurred in designing new systems for providing payroll, personnel, accounting, and related types of services needed for administrative support of agency operations.

In a March 1981 report, GAO identified substantial start-up problems experienced in reorganizations involving six agencies. For example, GAO reported that four of the six agencies experienced delays of from 13 to 29 months in establishing administrative support functions. A uniform planning, programming and budgeting system is another example of a system that might be

necessary to design immediately to ensure that the reorganized agency can operate effectively.

In determining whether and when the systems, practices, and business arrangements of DOE may have to be adapted, the following types of questions need to be addressed:

--Would the use of DOE's systems contribute to major operational inconsistencies within the Department of Commerce?

--Would the use of different accounting and financial reporting systems cause management and oversight problems?

--How long would the additional expense of operating dual systems remain cost beneficial considering the potential savings from use of a single system?

Early consideration and resolution of such questions is essential to identifying the potential problems and expenses of a major reorganization. For example, to maintain control over personnel, financial resources, and planning and administrative systems, the systems and practices of DOE may need to be adopted immediately by the other agencies receiving energy programs. To the extent that the agencies can not quickly merge the practices and systems with their operations, the agencies receiving energy activities could be forced to operate without consistent procedures and integrated systems. Eventually, these management control systems and practices would need to be modified or completely redesigned to achieve compatibility and efficiency. The time required to make these kinds of changes is illustrated by DOE's experience. Five years after DOE's creation it remains in the process of completing this type of work.

To the extent that it would be necessary to integrate systems, the difficulties of combining DOE's systems with those of Commerce would likely be substantial. DOE has been developing, revamping, and realining its major information systems at considerable expense since it was created, and its current inventory of automated systems is extensive. During fiscal year 1981, DOE's Office of ADP Management reported that it approved computer acquisitions with a value in excess of $120 million. Presently, DOE's headquarters alone has about 90 automated management information systems, consisting of approximately 2,200 computer programs. During fiscal year 1981, DOE also installed a new payroll and personnel system, developed a staffing control and planning system for budget purposes, and implemented a personnel resource information system. A new accounting system is also being planned, as are property and supply management systems.

While the eventual consolidation of these systems with those of the Commerce Department could result in efficiencies and economies, there are potential difficulties and expenses associated with their continued use and their merger with the systems of other agencies. DOE's experience in managing large systems

illustrates the need to give careful consideration to this area. DOE's inadequate controls over its financial systems are currently a major management concern and DOE is operating with several outdated, poorly documented accounting systems that do not efficiently meet its current requirements. 1/ The headquarters general ledger system, for example, was developed by merging the systems of DOE's predecessor agencies and it still is not effective. According to an October 1981 DOE study, many changes have been made in this system and it has very little capacity to react to new and changed requirements for financial reporting.

Administration officials have told us that their approach to energy reorganization would initially involve the movement of only a minimum number of personnel to the Department of Commerce and that the existing DOE policies, procedures and systems would continue to be used for energy functions. This approach to reorganization initially would be less expensive than one giving consideration to the range of the management control issues and expenses that would ultimately arise. However, while this approach defers the consideration of operational integration issues and expenses, it does not eliminate the need for eventually dealing with them and considering the cost of their eventual integration in estimating the costs and savings of reorganization.

Potential field organization changes

Another major task that could be involved in transferring energy responsibilities to other agencies would be the structural realinement of the agencies' headquarters and field installations. The DOE Organization Act tranferred to DOE the functions and authorities of numerous agencies, without specifying organizational relationships between headquarters and field offices. The Secretary of Energy was given wide latitude to make necessary changes, and several reorganizations have taken place since DOE was formed.

In September 1981, we reported that DOE's field structure consisted of the eight operations offices that were inherited from the Energy Research and Development Administration, the five field offices of the Federal Energy Regulatory Commission, and the ten field offices of the Economic Regulatory Administration. In addition, DOE is responsible for managing a nationwide network of installations comprised of 41 research and development laboratories and facilities, 15 production and test facilities, the five power marketing administrations, and four regional solar centers. Merging

---

1/ Testimony of Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, March 31, 1982. (GAO is currently reviewing the financial management problems of DOE.)

these installations into the field structure of the agencies receiving energy functions would require detailed studies to determine the most appropriate roles, responsibilities, and organizational relationships among the installations and between the agencies' headquarters and field components. After making such determinations, various expenses might be incurred in connection with reallocations and transfers of personnel and other necessary administrative actions.

Numerous miscellaneous expenses are involved

In addition to the problems and costs of implementing major operational and organizational changes, the transfer of energy functions would result in numerous expenses--both quantifiable and unquantifiable--which would be involved in trying to reassign and coordinate the activities of a Cabinet-level department. Such expenses are typical in the reorganization of Federal agencies and many were experienced by DOE when it was created. Following are examples that illustrate the wide range of costs that need to be considered in carrying out the administration's reorganization proposal.

--Overtime expenses could increase to cover additional administrative expenses incurred for activities such as transferring and reassigning personnel, reconciling and auditing financial records, and terminating or changing contracts. Although these tasks have not been precisely quantified, DOE reported that an orderly termination of its Management and Administration Office responsibilities would require about 2 years to complete. 1/

--Support services expenses would increase to cover numerous miscellaneous costs including costs related to telephone system changes, office refurbishment, and office and building sign changes. In fiscal year 1978, DOE was provided with a $17 million supplemental appropriation to consolidate its employees at its headquarters building and to relocate the previous occupants of the building.

--Training expenses would likely be incurred in educating transferred employees in new agencies' operating methods, procedures, and systems.

Following reorganization, attention also needs to be placed on other arrangements which control organizational interaction. For example, DOE's interagency agreements and memorandums of

---

1/ "Sunset Review," U.S. Department of Energy, February 1982. (We are currently completing a review of the development of this report.)

understanding would need to be reviewed, and modified, as necessary, to coordinate the work that DOE has been performing in cooperation with other Federal agencies. By early 1981, DOE had executed about 450 such interagency agreements. Delegations of authority must also be prepared to assign the duties and responsibilities of organizational components. In addition, methods used for travel, payment systems, and cash controls need to be reviewed and appropriately revised as necessary, and changes need to be incorporated in management directives, instructions and manuals.

CONCLUSIONS

The administration's budget proposal stated that energy program changes and the reorganization of DOE would result in cost-savings of $1.3 billion in fiscal year 1983. In a subsequent estimate, the administration's energy reorganization task force stated that $1 billion could be saved over a 3-year period through personnel savings and other economies related to DOE's reorganization. Our review shows that sufficient evidence has not been developed to support either of these cost-savings estimates. Further, in preparing the estimates, administration officials did not take into account the various expenses that could be incurred in implementing a reorganization and attempting to consolidate operations to achieve eventual efficiencies. In our view, the financial implications of reorganizing energy functions will remain uncertain until the administration identifies the specific reorganization actions it would implement to achieve efficiencies and economies and assesses both the costs and savings that would be involved.

— — — —

As this report was undergoing final processing, the Secretary of Commerce estimated in a June 24, 1982, hearing of the Senate Governmental Affairs Committee, that the proposed reorganization would result in cost-savings of $250 million over a 3-year period. The documentation provided for this estimate was based on adjustments to several of the items that were used in composing the earlier savings estimate of $1 billion over a 3-year period. For example, the savings estimates based on changes in grants management practices, consolidation of complementary activities, computer time sharing, and comprehensive auditing of DOE's contractor operated programs were eliminated. In addition, the $200 million savings estimate based on the integration of ADP equipment purchases was reduced to $20 million. No additional supporting documentation was prepared, however, to support the items that compose the $250 million savings estimate and consequently, it is not adequately documented and does not reflect a full assessment of the potential reorganization expenses.

CHAPTER 3

NEED FOR TRANSITIONAL PLANNING

Certain systemic difficulties can be anticipated whenever an agency's responsibilities are transferred to another agency or the responsibilities are consolidated. The previous GAO reviews discussed in this chapter have shown that such difficulties can be mitigated when the anticipated problems are analyzed and reorganization implementation plans and approaches are developed to ensure that necessary actions are carried out effectively and efficiently. Based on these reviews, we concluded that planning for reorganization implementation would establish accountability and a framework for expediting reorganization, and it would help minimize numerous administrative and support problems. We found, however, that the administration's preparations for making an effective transition from DOE's present structure to the proposed organizational structure, including consideration of the financial impacts, have been limited. This chapter discusses some of the essential characteristics to effective planning for implementing a reorganization.

LESSONS LEARNED FROM REORGANIZATION EXPERIENCES

Our review shows that the administration has not developed plans and supporting information which address the administrative and operational requirements necessary for carrying out its proposed reorganization. Because of the large scope of activities that would be transferred from DOE to other agencies, there could be a substantial amount of time, effort, personnel and other resources required to affect the transfer and implementation of energy activities in the other agencies. Careful attention and study, therefore, is important to prevent the turmoil and other unintended effects that accompanied other reorganizations.

In one of our previous evaluations, we reviewed four reorganizations involving the following six agencies: the Equal Employment Opportunity Commission, the Federal Emergency Management Agency, the Federal Labor Relations Authority, the International Development Cooperation Agency, the Merit Systems Protection Board, and the Office of the Special Counsel. 1/ This review discussed

--systemic problems that new or reorganized agencies have had in obtaining personnel or support services made necessary by the reorganization,

---

1/ "Implementation: The Missing Link in Planning Reorganizations," GGD-81-57, March 20, 1981.

--how the Congress and the executive branch can avoid or alleviate these problems, and

--what services may be common to the successful implementation of any reorganization and must be routinely provided by the executive branch to effectively and efficiently carry out the transfer.

Based on the analysis, we identified a variety of problems that could have been minimized by proper planning. These areas include (1) delays in obtaining key agency officials, (2) inadequate staffing, (3) insufficient funding, (4) inadequate office space, and (5) delays in establishing support functions, such as payroll and accounting systems. Solving these start-up problems distracted agency officials from concentrating on their new missions during the critical first year of operations. In addition, three of the six agencies required appropriation increases ranging from $3.4 million to $4.1 million--significant amounts when considering that these agencies employed about 780 staff members as of fiscal year 1981.

In an earlier review, we found that, in preparing for its reorganization during the 1970s, the U.S. Army performed extensive studies and analyses to determine the best reorganization approach and the costs that would be involved. The Army's efforts, which we evaluated and described as satisfactory in a 1973 report 1/, consisted of

--considering 10 major studies of its operational and management experience,

--developing reorganization objectives and a set of criteria against which organizational options for meeting goals could be measured, and

--analyzing both costs and savings that could be expected to result from the reorganization.

Following approval of the basic reorganization plan, the Army prepared detailed implementation plans to control the transition process.

CONCLUSIONS

DOE has not developed plans adequate for identifying and resolving potential reorganization problems and for ensuring that the proposed reorganization would be implemented as efficiently and effectively as possible. Our previous reviews of reorganizations have shown that some start-up problems are inevitable in

---

1/ "The Army Reorganization for the 1970s: An Assessment of the Planning," U.S. General Accounting Office, B-172707, August 13, 1973.

any major reorganization of Federal activities. We believe these problems can be alleviated by effective transitional planning. Although the administration has taken an appropriate step by establishing a high level interagency task force on energy reorganization, in our view, more detailed planning which addresses administrative and operational requirements for implementing changes is necessary to ensure an efficient, effective reorganization.

004307

22665

AN EQUAL OPPORTUNITY EMPLOYER

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

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, $300

POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE

U.S.MAIL

THIRD CLASS