
April 1998

RESULTS ACT

DOE Can Improve Linkages Among Plans and Between Resources and Performance





United States
General Accounting Office
Washington, D.C. 20548

**Resources, Community, and
Economic Development Division**

B-279289

April 14, 1998

The Honorable Thomas J. Bliley, Jr.
Chairman, Committee on Commerce
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we assess certain aspects of the Department of Energy's implementation of the Government Performance and Results Act of 1993. The report describes issues concerned with the Department's strategic and annual planning and contains recommendations designed to align the Department's organization with its business lines, better link the Department's internal strategic plans to its overall strategic plan, improve the usefulness of the Department's annual performance plan, and result in the more timely inclusion of annual goals and incentive fees in management and operating contracts.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days after the date of this letter. At that time, we will send copies to the Secretary of Energy; the Director, Office of Management and Budget; the House Committee on Science; the House Committee on Government Reform and Oversight; the Senate Committee on Governmental Affairs; the House and Senate Committees on Appropriations; and other interested parties. We will make copies available to others on request.

If you or your staff have any questions about this report, please contact me at (202) 512-7106. Major contributors to this report are listed in appendix III.

Sincerely yours,

Susan D. Kladiva
Associate Director, Energy,
Resources, and Science Issues

Executive Summary

Purpose

The Congress passed the Government Performance and Results Act of 1993 to shift federal management and decision-making away from a focus on staffing and activities to a focus on the results of federal programs. The Results Act is intended to improve the efficiency and effectiveness of federal programs by requiring each federal agency to establish performance measurement systems that include strategic plans, annual performance plans, and annual reports on its programs' performance. Since the Results Act was passed, the Department of Energy (DOE) has taken several actions in response, including the development of a Strategic Management System to align its planning, budgeting, and evaluation processes and the adoption of performance-based management contracts as the vehicle for managing the work at its facilities.

The Chairman of the House Committee on Commerce, noting the importance of the Results Act, requested that GAO review DOE's early efforts to implement the act. Specifically, GAO evaluated how well (1) DOE's program and field units linked their subordinate plans to the departmental strategic plan and (2) DOE linked the goals of its strategic plan to its annual performance plan and the goals for its performance-based management and operating contracts.

Background

Within the past year, DOE has prepared its initial strategic plan and annual performance plan to comply with the requirements of the Results Act. When passing the act, the Congress anticipated that it might take several planning cycles to perfect the process and that plans would be continually refined in future planning cycles. The strategic plan serves as the basic underpinning for the performance measurement system and includes the agency's mission statement and its long-term goals and objectives for implementing the mission. The annual performance plan links the agency's day-to-day activities to the agency's long-term strategic goals. Finally, the agency must prepare an annual report on its programs' performance to provide feedback to federal managers, policymakers, and the public on the results achieved during the fiscal year.

DOE has several diverse missions, including the environmental restoration of the nation's nuclear weapons production facilities, the stewardship of the nation's nuclear weapons, the development of the nation's energy policy, research and development on energy and basic science, and the management of five power marketing administrations. DOE conducts its work through a complex organization that includes headquarters offices, operations offices and field offices, and management and operating

contractors. The contractors carry out the bulk of DOE's responsibilities at its facilities and represented about 70 percent (\$13.8 billion) of the Department's total obligations in fiscal year 1997.

In 1996, DOE adopted a Strategic Management System with a goal of linking planning, budgeting, and program evaluation throughout the Department. In this system, DOE has organized its diverse functions and operations into four business lines—energy resources, national security, environmental quality, and science and technology—plus a functional area called corporate management. DOE's strategic goals and objectives are stated within the context of these four business lines and the corporate management function.

Results in Brief

Subordinate strategic and multiyear plans prepared by DOE's programs, field offices, and contractors are not clearly linked to the goals, objectives, and strategies of the Department's strategic plan. Although DOE's Strategic Management System guidance provides a basic outline of the planning process, it does not provide clear directions on how these subordinate plans should be linked to DOE's strategic plan. Additionally, DOE formed its Strategic Management System around its business lines and its organizations are not aligned with the business lines. For example, DOE has three main program offices—Defense Programs, Energy Research, and Environmental Management—whose work is done through various field organizations and management and operating contractors. As a result, these different program offices and their supporting organizations often contribute to the fulfillment of the same business lines through a variety of different, complex, crosscutting relationships.

DOE, in its first annual performance plan under the Results Act, links the annual performance plan's goals and measures to those in the strategic plan. DOE also provides a brief description of how budgetary resources are linked to its strategic goals. However, the annual performance plan could be more useful if it described how the requested budgetary resources are linked to the annual performance goals in the plan. In addition, DOE did not incorporate the approved performance goals and incentive fees in its performance-based management and operating contracts—accounting for 70 percent of DOE's obligations—until after the start of the current fiscal year and after the contractors had already begun their work. The goals and incentive fees agreed to in these contracts are intended to guide and enhance the contractors' performance. Not incorporating the goals and

incentive fees until after the contractors begin work reduces the usefulness of performance-based contracting.

Principal Findings

DOE's Organizations Did Not Show How Their Subordinate Strategic Plans Were Linked to DOE's Departmental Strategic Plan

The subordinate strategic plans that were prepared by DOE's programs, field organizations, and contractors do not specifically state how their goals are linked to the goals, objectives, and strategies of DOE's departmental strategic plan. However, planning staff from the organizations that developed these strategic and multiyear plans said that they could link their goals to those of DOE's strategic plan. In some cases, they said that they could provide such linkages because the goals of DOE's strategic plan were vague. GAO believes that clear linkage between the subordinate plans and DOE's strategic plan is important so that the various organizations that prepare these plans remain focused on DOE's goals and objectives. This linkage should be identified and explained in the plans.

The Structure of DOE and Its Strategic Plan Differ

Although DOE's strategic plan is structured according to its business lines, its organization is structured by program, function, and geographical location. A number of DOE units contribute to the same business line, and some may contribute to more than one business line. For example, two of DOE's three main headquarters program offices, the Office of Defense Programs and the Office of Environmental Management, contribute to the environmental quality business line along with two smaller headquarters offices. The relationship among business lines and organizations is more complex when DOE's field offices and management and operating contractors are considered. For example, the Oak Ridge Operations Office performs work for all three of the main headquarters program offices and contributes to all four business lines. Because Oak Ridge uses several management and operating contractors to perform its work, the contractors also contribute to the different business lines. Crosscutting relationships are therefore required throughout the organization to fulfill the various missions, goals, and objectives of the business lines. GAO has previously stated that an organization's activities, core processes, and resources should be aligned to support its missions and help it achieve its goals.

Many DOE Units Prepare Their Own Strategic and Multiyear Plans

Planning is done at five levels within DOE. The three main headquarters program offices prepare their own strategic plans, as does each field office

GAO visited. Individual DOE laboratories and contractors also prepare strategic and multiyear plans. The Savannah River Site, for instance, has two strategic plans that cover environmental quality, but neither explains how its goals and objectives are meant to fulfill the departmental environmental quality strategic goal, objective, or strategy. DOE has not issued specific directions on how these plans should link to the departmental strategic plan or on whether these various organizations should prepare strategic or operational plans. The Office of Environmental Management and the Office of Defense Programs are developing strategic plans that integrate program goals with field office and contractors' goals. By integrating these goals, it appears that these plans will provide a more coordinated approach to strategic planning. DOE's Acting Director of Strategic Planning, Budget and Program Evaluation agreed that plans should be clearly linked and said that the program offices should have an integrated system that explains how all levels of planning are tied together. However, he explained that weak linkages occur because the current DOE strategic plan was completed within the past year and the Strategic Management System has not matured yet.

DOE May Not Need All Strategic and Multiyear Plans Being Prepared

DOE's guidance for strategic planning requires that only a minimum number of plans be published and that plans be consolidated and redundancies eliminated wherever possible. However, distinguishing which plans are unnecessary and redundant and which plans represent a minimum number of plans is a difficult task. GAO believes, based on examples of plans reviewed, that some plans may be overlapping or redundant. For example, planning officials within the Office of Defense Programs said that its strategic plan, called the Green Book, is the primary plan needed for its program. However, at least one of the office's subprograms has produced its own plan, and others are being developed. Moreover, the Sandia National Laboratories had both an institutional plan, which included a strategic plan, and a second separate strategic plan.

DOE Could Better Link Resources to Performance Levels and Was Late Incorporating Goals and Incentive Fees for Contractors' Performance

DOE's annual performance plan for fiscal year 1999, the first such plan it has developed under the Results Act, links the annual performance goals to the strategic goals and objectives identified in the departmental strategic plan. Furthermore, the plan shows requested budgetary resources associated with its program activities and related business line goals. However, GAO believes that DOE could improve its annual performance plan by directly linking annual performance goals to the requested budgetary resources needed to provide that level of performance during the year. DOE's Acting Director of Strategic Planning,

Budget and Program Evaluation explained that the annual performance plan does not provide this level of specificity because the plan links resources to the Department's strategic goals and objectives and that the annual performance goals can be linked to resources by reviewing the goals in the agency's detailed budget request. GAO attempted to do so, but found, with the exception of the Office of Defense Programs' budget request, that it could not link the annual performance goals and measures from the annual performance plan with the resources required in the budget request. An initiative undertaken by the Office of Environmental Management holds promise as a way to link budgetary resources and performance levels throughout DOE.

Although DOE's management and operating contracts include performance goals and incentive fees to enhance the contractors' performance, the approved goals and incentive fees were not incorporated in the contracts when work began for fiscal year 1998. As part of its recent contract reform effort, DOE made these performance goals and incentive fees a primary feature of its new management and operating contracts. However, for 16 of 20 contracts, the fiscal year 1998 performance goals and incentive fees were not incorporated in the contracts until after the start of the fiscal year and could not be used to enhance the performance of the contractors on their completed work. This practice is incompatible with the principles of performance-based contracting.

Recommendations

GAO makes several specific recommendations to the Secretary of Energy directed at seeking opportunities to conform DOE's organization to its strategic plan business lines, linking subordinate strategic and multiyear plans to the departmental strategic plan, eliminating unnecessary strategic and multiyear plans, linking annual performance goals with required resources to fulfill those goals, and streamlining the process for including performance goals and incentive fees in management and operating contracts. (See chs. 2 and 3.)

Agency Comments

GAO provided copies of a draft of this report to the Department of Energy for its review and comment. DOE generally agreed with the findings and recommendations. DOE also provided comments clarifying its position on some of the specific statements and recommendations in the report. In this regard, DOE (1) commented that the Strategic Management System was not meant to be a prescriptive document and that detailed direction cannot take the place of basic, sound management; (2) acknowledged, as pointed

out in the draft report, that it may take several planning cycles to perfect the strategic planning processes and linkages; (3) explained that it is currently working on a “mapping” effort that will better show the linkage between its annual performance plan and the budget request; and (4) stated that it has ongoing efforts to meet several of the report’s recommendations. DOE also offered several technical corrections that were incorporated. DOE’s comments appear in appendix II.

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Abbreviations

DOE	Department of Energy
M&O	management and operating
OMB	Office of Management and Budget

Introduction

Noting that congressional and federal managers' decision-making was often hampered by the lack of good information on the results of federal programs, the Congress passed the Government Performance and Results Act of 1993. By passing the Results Act, the Congress intended to change the focus of federal management and decision-making from the performance of tasks to the results of those tasks. To do this, the act established a system to set goals for programs' performance and to measure the results of that performance.

In part to fulfill the requirements of the Results Act, the Department of Energy (DOE) announced the development of its Strategic Management System in 1996. The system is intended to be a managerial framework for DOE's interrelated strategic planning, budgeting, performance-based contracting, and program evaluation processes for the Department's varied missions and numerous organizations.

The Results Act of 1993 Provides Direction for Performance Management

The Congress passed the Results Act to have federal agencies clarify their missions, set their program goals, and measure their performance toward achieving those goals. The Congress had found, among other things, that

- waste and inefficiency in federal programs undermined the confidence of the American people in their government and reduced the government's ability to address vital public needs adequately;
- federal managers were seriously disadvantaged in their efforts to improve program efficiency and effectiveness because programs' goals had not been articulated sufficiently and information on programs' performance was inadequate; and
- congressional policy-making, spending decisions, and program oversight were seriously handicapped by insufficient attention to programs' performance and the results.

The Congress intended the Results Act to improve the effectiveness of federal programs by fundamentally shifting management and decision-making away from a preoccupation with staffing and activity levels to a wider focus on the results of federal programs. The framework the act established for such a shift requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports.

Strategic Plans Are the Starting Point for Performance Management

The Results Act requires executive agencies to develop strategic plans that cover a period of at least 5 years and to update those plans at least every 3 years.¹ Agencies were required to submit their first strategic plans to the Congress by September 30, 1997. Strategic plans are to (1) include agencies' mission statements; (2) identify long-term general goals and objectives; (3) describe agencies' plans to achieve those goals through their activities and through their human, capital, information, and other resources; and (4) explain the key external factors that could significantly affect the achievement of those goals. Additionally, the strategic plans are to explain how the agencies' strategic goals and objectives are related to the performance goals in their annual performance plans. Hence, the strategic plan is the starting point for the agencies' system of performance management. In January 1998, we reported on our reviews of 24 major agency strategic plans, including the one prepared by DOE.²

Annual Performance Plans Link the Long-Term Goals to the Daily Work

The Results Act requires executive agencies to develop annual performance plans that cover their performance for a single fiscal year. The first annual performance plans were to be submitted to the Congress with the President's budget in February 1998 and were to cover the agencies' performance in fiscal year 1999. The annual performance plan is to contain an agency's strategic goals and annual performance goals, which the agency is to use to gauge its progress toward accomplishing its strategic goals. The annual performance plan also is to include the measures of performance that the agency will use to gauge its progress toward achieving its annual goals and the resources the agency will need to meet its goals. Finally, the plan is to discuss how the agency will verify the resulting performance data.

Annual Program Performance Reports Provide Feedback on Program Results

The Results Act further requires executive agencies to prepare annual reports on program performance for the previous fiscal year. The first annual performance reports will describe agencies' results for fiscal year 1999 and are due to the Congress and the President no later than March 31, 2000. Subsequent reports are due annually by March 31. In each report, an agency is to review and discuss its performance compared with the performance goals it established in its annual performance plan.

¹The Results Act applies to agencies as defined in 5 U.S.C. 306(f), which generally covers executive departments, government corporations, and independent establishments.

²Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

The Cost of Performance Measurement Should Not Be a Significant New Cost

The Senate Committee on Governmental Affairs, in its report on the Results Act, explained that it is important that performance measurement not be a major additional cost or paperwork burden imposed on federal programs.³ In stressing its concerns about the cost of performance measurement, the Committee cited our report on federal agencies' use and collection of performance data.⁴ In that report, we pointed out that a great deal of data collection was already going on in federal programs and that this activity could be redirected, coordinated, and the data better reported and used.

Results Will Take Time

The Congress recognized the significance of converting a task-oriented government to a performance-oriented government and phased the implementation of the Results Act over a 7-year period. For example, in its report on the Results Act, the Senate Committee on Governmental Affairs recognized that the reforms of the Results Act are a major undertaking and noted that comprehensive program goal-setting and performance measurement and reporting on a governmentwide basis will not be accomplished easily.

In 1997, in our review of agencies' pilot projects under the Results Act, we reported that agencies were confronting a variety of difficult challenges. These challenges included developing strategic plans; generating the results-oriented performance information needed to set goals and assess progress; instilling a results-oriented organizational culture within agencies; and linking performance plans to the budget process. The experiences of pilot agencies and related efforts by other agencies suggest that these challenges will not be quickly or easily resolved.⁵

³S. Rep. No. 103-58 (1993).

⁴Program Performance Measures: Federal Agency Collection and Use of Performance Data (GAO/GGD-92-65, May 4, 1992).

⁵The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

DOE's Strategic Management System Provides a Framework for Complying With the Results Act

On March 4, 1996, DOE announced its Strategic Management System, which seeks to align planning with strategic intent, ensure that planning drives resource allocation, and provide feedback on performance results. The system provides a general explanation of how strategic planning, annual planning, budget formulation, performance-based contracting, and program evaluation are to be linked.

Within the Strategic Management System, DOE's departmental strategic plan provides the goals and strategies that will shape DOE's future budgets. DOE's strategic plan aligns DOE's work into four business lines—energy resources, national security, environmental quality, and science and technology. To help ensure the success of its business lines, DOE's strategic plan also includes a section on corporate management, which cuts across the business lines. Because DOE's organizational structure does not mirror its business lines, the business lines include crosscutting issues within the agency that require different parts of the Department to work together to achieve the desired results.

DOE's Assistant Secretary for Policy and International Affairs is responsible for coordinating the preparation of the departmental strategic plan. Preparation of the strategic plan is managed by the Assistant Secretary's Office of Strategic Planning, Budget and Program Evaluation. The strategic plan is to be reflected throughout all DOE organizations as missions, goals, and activities at every level are to be aligned with national energy and security policies. Among its objectives, the Strategic Management System intends to ensure that all DOE plans add value and are consistent with other DOE planning documents.

The Strategic Management System states that annual performance plans are to include the results that DOE expects to deliver for the budget being requested and must be closely linked to the goals contained in the departmental strategic plan. The Strategic Management System also notes that DOE's performance-based management contracts, a form of contract that is used to manage and operate DOE facilities, are a critical force in turning DOE's annual plan and commitments into actions and results. Performance goals for these contracts are to be consistent with the commitments made in DOE's annual performance plan.

DOE's Management System Will Need to Integrate Diverse Missions and Organizations

To work effectively, the Strategic Management System will need to integrate DOE's complex mission structure and organization. DOE was created in 1977 from several diverse functions, including those of the Federal Energy Administration, the Energy Research and Development Administration, and the Federal Power Commission. Moreover, DOE's missions have changed focus over the years. For example, whereas DOE was once geared toward the production of nuclear weapons, it is now focused on restoring the environment at the facilities contaminated by that nuclear production. DOE's diverse missions include

- environmental restoration of its facilities and the management of hazardous wastes created during the nuclear research and production process;
- management of the nation's nuclear weapons complex;
- nuclear arms control;
- development of energy policy;
- research and development on both energy and basic science;
- management of five power marketing administrations, such as the Bonneville Power Administration; and
- development and operation of a civilian nuclear waste repository.

These changing missions have had a significant impact on DOE's various programs. For example, in 1996, we reported that DOE undertook 80 major system acquisitions from 1980 to 1996 and that only 15 of them were ever completed. Thirty-one of the major systems were terminated prior to completion. One of the causes of this poor performance was DOE's unclear or changing missions.⁶

DOE uses management and operating contractors (M&O) to carry out the bulk of its statutory responsibilities at its facilities. In fiscal year 1997, about 70 percent (\$13.8 billion) of the Department's total fiscal year obligations were for M&O contractors. These contractors employ about 107,000 employees, compared with the approximately 11,000 federal workers employed by DOE.

Objectives, Scope, and Methodology

The Chairman of the House Committee on Commerce, noting the importance of the Results Act, requested that we review DOE's early efforts to implement the act. Specifically, we evaluated how well (1) DOE's program and field units linked their subordinate plans to the departmental

⁶Department of Energy: Opportunity to Improve Management of Major System Acquisitions (GAO/RCED-97-17, Nov. 26, 1996).

strategic plan and (2) DOE linked the goals of its strategic plan to its annual performance plan and the goals for its performance-based management and operating contracts.

We conducted our review at DOE program offices, field organizations, and facilities managed by M&O contractors. The program offices we chose for our review—the Office of Defense Programs, the Office of Energy Research, and the Office of Environmental Management—are the largest in DOE’s budget. The field organizations we reviewed were at DOE’s offices in Albuquerque, New Mexico; Argonne, Illinois; Oak Ridge, Tennessee; Rocky Flats, Colorado; and Savannah River, South Carolina. The facilities managed by M&O contractors we reviewed were at the Argonne National Laboratory in Illinois; the Oak Ridge Reservation in Tennessee; the Rocky Flats Environmental Technology Site in Colorado; the Sandia National Laboratories in New Mexico; and the Savannah River Site in South Carolina. At the field offices and individual facilities, we focused on programmatic activities and not on the operational activities of those organizations.

To evaluate how DOE linked its various organizations’ strategic plans to DOE’s departmental strategic plan, we requested strategic and/or multiyear plans from DOE’s Albuquerque, Chicago, Rocky Flats, Oak Ridge, and Savannah River offices. We analyzed the plans and attempted to link the programmatic work supporting Defense Programs, Energy Research, and Environmental Management that was specified in those plans to DOE’s departmental strategic plan. We then asked DOE personnel at these offices to separately identify linkages between their plans and DOE’s departmental strategic plan. We discussed the planning activities of these offices with staff from their planning and budget offices. Additionally, we discussed DOE’s strategic planning activities with staff of the Office of Policy and International Affairs, the Office of Defense Programs, the Office of Energy Research, and the Office of Environmental Management. We discussed DOE’s strategic planning with staff of the Office of Management and Budget (OMB). Finally, we reviewed the Results Act; the Senate Committee on Governmental Affairs’ report on the Results Act; OMB’s guidance on the Results Act; and DOE’s guidance on its Strategic Management System.

To evaluate the linkage between DOE’s annual performance plan for fiscal year 1999 and its departmental strategic plan, we compared the 1999 annual performance plan with the departmental strategic plan to determine if we could identify links among goals, objectives, and measures. We also analyzed the 1999 annual performance plan to

determine if the levels of performance identified in it could be linked to the budgetary resources requested for those levels of performance. However, we did not evaluate the extent to which individual performance goals and measures will enable DOE to effectively achieve its goals and objectives.

To evaluate the links between DOE's strategic goals and the work of its M&O contractors, we discussed the performance goals and incentive fees for the contracts for the Argonne National Laboratory and the Rocky Flats Environmental Technology Site with officials from DOE's Chicago and Rocky Flats offices. However, as of February 1998, performance goals and incentive fees for fiscal year 1998 had not been completed and made a part of the contracts. As a result, we could not evaluate the linkage of the contracts to the departmental strategic plan. We also discussed these contracts with staff of the Office of Procurement and Assistance Management and requested information to determine if the late inclusion of performance goals and fees was a systemic problem within DOE.

We performed our review from June 1997 through March 1998 in accordance with generally accepted government auditing standards.

DOE's Organizations Do Not Link Their Plans Clearly to the Departmental Strategic Plan

DOE's strategic plan focuses on its broad missions and not on the Department's programs or organizational structure. As a result, DOE's programs, field offices, and contractors have often prepared their own subordinate plans. However, we found that it was difficult to link the subordinate plans of DOE's programs, field offices, and contractors to the Department's strategic goals, objectives, and strategies. DOE has not provided specific guidance on the nature or extent of these subordinate plans. As a result, organizations throughout DOE have developed subordinate plans even though some of the plans appear to be duplicative.

The Structure of DOE's Strategic Plan Differs From the Structure of the Organization

DOE's strategic plan is structured according to business lines, but DOE's organizational structure is quite different. As we pointed out in June 1996, organizations' activities should be aligned to support their mission and outmoded organizational structures should be changed.¹

DOE's strategic plan includes a mission statement that is short and overarching, but the substance of its missions is described in four business lines: energy resources, national security, environmental quality, and science and technology. The strategic plan also includes a functional section on corporate management that cuts across the four business lines. But DOE itself is not organized into four business lines. It has three large headquarters program offices, many smaller individual headquarters offices, operations and field offices, and a number of contractors that manage and operate DOE facilities across the country.

Because the business lines in DOE's strategic plan are not aligned with the organizational structure, more than one DOE organization contributes to the same business line. For example, DOE's three main headquarters program offices are Defense Programs, Energy Research, and Environmental Management. Both the Office of Defense Programs and the Office of Environmental Management contribute to the environmental quality business line as do two smaller headquarters offices. Similarly, the Office of Defense Programs and five other headquarters offices contribute to the national security business line.

The relationships among programs and business lines become more complicated when the field-level structure is considered. DOE's field structure includes 10 major operations and field offices and several area offices. Each of these offices may contribute to the business lines through

¹Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

various headquarters offices. For example, the Oak Ridge Operations Office performs work for each of the three main headquarters program offices as well as for other headquarters offices and, in doing so, performs work for all four business lines. Because Oak Ridge conducts its work through the contractors that manage its facilities, the performance of the work for the business lines is broken down further and accomplished at organizations below the operations office level. In the end, the business lines are simply a summation of the basic types of work that DOE is to accomplish through the various parts of its complex organization.

Subordinate Plans Are Prepared in Many DOE Organizations

In addition to DOE's strategic plan, various programs and offices prepare subordinate plans that are defined as being strategic or multiyear or both. These include plans at different levels within DOE's programs, field offices, and M&O contractors that are developed to meet various requirements, including those of federal laws, DOE orders, and total quality management initiatives. However, little guidance exists within the Department to define the need for planning below the departmental level. Appendix I provides a list of more than 2 dozen strategic and multiyear plans that we identified and an explanation of these plans.

Strategic Plans Are Being Prepared by Program Offices

DOE's Environmental Management, Defense Programs, and Energy Research programs are developing their own strategic plans. The planning processes for Environmental Management and Defense Programs are aimed at integrating their program goals with the goals at the field and operations office levels. According to Energy Research officials, they are revising the program's previous strategic plan and believe that each subprogram office also should have separate plans to guide the facilities that perform work within the program.

The Environmental Management Program, in June 1997, issued a discussion draft of its planning effort called *Accelerating Cleanup: Focus on 2006*. After receiving feedback from the program and field levels on this draft, Environmental Management officials plan to develop a draft national plan by early 1998.² Although the goals of the plan are not final, the basic direction is to (1) clean up as many DOE sites with environmental problems as possible by the year 2006, acknowledging that cleanup at some sites will not be completed by then; (2) reduce costs and increase productivity

²This *Accelerating Cleanup: Focus on 2006* plan is supported by a business management process called the Integrated Planning, Accountability, and Budgeting System. This system is to be used for the purposes of planning, preparing budget requests, setting annual performance goals, and reporting on how well goals are being achieved.

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during the cleanup process; and (3) comply with all regulatory requirements. These program goals, together with program performance measures, are being used at the field level to develop site plans and individual project plans at the sites.

In 1996, DOE's Office of Defense Programs released the Stockpile Stewardship and Management Plan, also referred to as the Green Book.³ This plan, which the Office of Defense Program officials considered a strategic plan but also referred to as an implementation plan, outlines the program's strategic goals and implementation objectives for current and future years. Defense Program officials told us that this plan minimizes the need for subordinate strategic plans. However, the officials acknowledged that offices may still develop strategic or multiyear plans to provide more detail or direction, or to market or publicize specific programs and projects. Currently, at least one subprogram in Defense Programs has a multiyear plan—the Accelerated Strategic Computing Initiative—but other subprograms are developing their own multiyear plans to meet their specific needs.

In 1995, DOE's Office of Energy Research published its first strategic plan to guide DOE facilities that perform work within the program. It is now working on an updated strategic plan. The Office of Energy Research officials told us that DOE's departmental strategic plan is too broad to serve as a meaningful "road map" for the Energy Research programs. The Energy Research subprograms will be expected to develop subordinate plans linked to the Energy Research strategic plan. These plans will then be used to guide facilities that perform work for the program. Additionally, according to an official, the Office of Fusion Energy Sciences has prepared strategic plans in response to congressional interest. For example, the Strategic Plan for the Restructured Fusion Energy Sciences Program was done in response to the Conference Report accompanying the Energy and Water Appropriations Act of 1996.

Field-Level Organizations
Prepare Their Own
Subordinate Plans

Each field office we visited either had or was updating some form of a strategic or multiyear plan. The Albuquerque and Savannah River operations offices, each of which participated in more than one program,

³The Green Book, a classified document, is prepared annually and identifies the goals to be achieved during the year in addition to multiyear goals. First released by the Office of Defense Programs in 1996, the Green Book is based on the goals described in the May 1995 Stockpile Stewardship and Management Program Report. The National Defense Authorization Act for Fiscal Year 1998 now requires DOE to provide a plan for maintaining the nuclear weapons stockpile to the Congress by March 15 of each year, beginning in fiscal year 1998.

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Plan

had their own field-level strategic plans, while the Oak Ridge Operations Office intended to develop a site-level strategic plan. At the Savannah River Site, we found a site program office with its own strategic plan. Multiyear and strategic plans also were prepared for individual laboratories by the contractors that operated them and for the contractors' own organizations.

In addition, because all of the field offices we visited performed work for the Environmental Management program, they had prepared their own site-specific plans under the Accelerating Cleanup: Focus on 2006 program. At Savannah River, the operations office had prepared a strategic plan that included a goal and several objectives for environmental management. The operations office's Environmental Restoration Office had also prepared a strategic plan with goals and objectives for the environmental restoration program. This was in addition to the site-level Accelerating Cleanup: Focus on 2006 plan that included the program's goals.

The Albuquerque Operations Office, which works with the Office of Defense Programs on the Stockpile Stewardship and Management Program, has its own strategic plan that provides a corporate vision and focus areas that include Albuquerque's contributions to the U.S. nuclear weapons program. However, defense planning officials in Albuquerque told us that they rely on the Green Book, and not on the Albuquerque strategic plan, to develop the weapons program at the Albuquerque Operations Office. Although Albuquerque planning officials acknowledged that their strategic plan added little to the programmatic aspects of planning, they said that it does provide a corporate vision and defines the mission of the Albuquerque Operations Office.

In contrast to the field offices at Albuquerque and Savannah River, the Chicago Operations Office's strategic planning focused solely on the office's administrative and oversight functions. Finance and planning officials there explained that their office does not address the programmatic work being done at the Argonne National Laboratory because programmatic guidance for the laboratory's basic research activities is provided directly by the Office of Energy Research and its subprograms.

Finally, in addition to the plans prepared by DOE, we found that multiyear and strategic plans also were prepared for DOE laboratories and some other facilities by the contractors who operated them. For example, each

of the laboratories in our review prepared an institutional plan. DOE guidance explains that institutional plans provide a means to consider each laboratory as an institution rather than as a collection of programs and to review its mission, its health as an institution, and its plans for the future. Although the Sandia National Laboratories had an institutional plan, it also had prepared a separate strategic plan.⁴ We found that the contractors at both Savannah River and Oak Ridge also prepared strategic plans for their own operations. The Oak Ridge Reservation contractor had prepared an internal strategic plan for its operations that included a vision, business strategy, and objectives. The Savannah River Site contractor had developed a strategic plan in 1994 to prepare itself for the new direction and strategy defined by the Secretary of Energy.

Subordinate Plans Are Not Clearly Linked to DOE's Strategic Plan

While extensive planning is going on at different levels of DOE, it is not clear how all of the plans prepared by the programs, field offices, and contractors are linked to DOE's departmental strategic plan. According to DOE, the departmental strategic plan "is the highest level tier of planning for the Department." The plan itself notes that performance is the common link that ties the planning system together throughout the Department. However, DOE's Strategic Management System does not provide specific directions on how to link the goals of subordinate strategic and multiyear plans to the goals, objectives, and strategies of the departmental strategic plan.

Subordinate Strategic Plans Do Not Explain Their Linkage to the DOE Departmental Strategic Plan

DOE's strategic plan lists the departmental goals, objectives, and strategies. The goals are long term, broad, and outcome-oriented, and they are supported by objectives and strategies that are nearer term. However, the subordinate strategic and multiyear plans we reviewed that were developed by the programs, field offices, and contractors did not show how their goals will contribute to the departmental strategic plan's goals, objectives, and strategies. For example, DOE's strategic plan has one goal for its environmental quality business line that is supported by seven objectives. The business line goal states that DOE is to

"[a]ggressively clean up the environmental legacy of nuclear weapons and civilian nuclear research and development programs, minimize future waste generation, safely manage nuclear materials, and permanently dispose of the Nation's radioactive wastes."

⁴The Argonne National Laboratory's Science and Technology Strategic Plan is a part of Argonne's Institutional Plan, FY 1998-2003.

Chapter 2
DOE's Organizations Do Not Link Their
Plans Clearly to the Departmental Strategic
Plan

But the goal in the Savannah River site-level strategic plan is to “demonstrate excellence in environmental stewardship.” This goal is supported by several site objectives. In addition to the site-level strategic plan, the site’s Environmental Restoration Program has its own strategic plan with five goals and multiple objectives. The goals of this plan are

- focus on remediation,
- demonstrate safety excellence,
- meet or expedite regulatory requirements,
- maximize deployment of innovative technologies, and
- demonstrate cost-effectiveness.

While one can argue that the two different Savannah River plans have goals that can be encompassed in the environmental quality business line goal, neither of the subordinate strategic plans explains whether its goals and objectives are to fulfill a departmental strategic goal, objective, or strategy. As a result, we believe the significance of Savannah River’s contribution to the DOE strategic plan, as expressed in its own various strategic plans, is not clear.

While the various plans did not show clear linkage to DOE’s strategic plan, planning officials from headquarters’ program and field offices told us that they believed that the goals in their plans were linked to the goals in the departmental strategic plan. In some cases, however, they noted that it was easy to show a linkage because the DOE strategic plan’s goals were so vague. For example, the budget and program officials in DOE’s Albuquerque Operations Office said they found it relatively easy to show the linkages among the Sandia National Laboratories’ contract documents, the Albuquerque Operations Office’s strategic plan, DOE’s departmental strategic plan, and the Office of Defense Programs’ Green Book even though we had difficulty discerning the linkage. They said the goals of DOE’s strategic plan and the Green Book were sufficiently broad for them to easily show a linkage.

One of the features of the Environmental Management program’s new Accelerating Cleanup: Focus on 2006 strategic plan is that it is clearly linked with the field level plans. While the Environmental Management program’s strategic plan was not yet complete, planning staff from the program office told us that they were seeking to integrate the program’s goals with the goals of the field offices by requiring these offices to develop their plans based on the program’s goals. The June 1997 draft plan provides several program goals that, when final, should provide clear and

direct links between the goals of the program and the field offices. In addition to the program goals, the plan lists program performance measures to be achieved at the field level. Because the field offices are required to use the program's goals and performance measures in the development of their site plans, the site-level goals and measures should be linked to the program's goals and measures.

We discussed our difficulty in linking subordinate plans to the departmental strategic plan with the Acting Director of Strategic Planning, Budget and Program Evaluation, who explained that many of the linkages are more implicit than explicit for two important reasons. First, the DOE strategic plan required by the Results Act was only published in September 1997. Hence, there has not been enough time for all levels of DOE to fully adjust their plans to show explicit linkage. Second, DOE's Strategic Management System has not yet matured and will need several planning cycles to produce the desired results. While we do not disagree with the Acting Director's comments, we also found that subordinate plans were not clearly linked with DOE's 1994 strategic plan.

The Need for All Strategic and Multiyear Plans May Be Questioned

DOE's Strategic Management System requires that only a minimum number of plans be published. However, it does not state which plans should be prepared or whether they should be strategic or operational plans. According to DOE guidance, strategic plans are to address what is to be done and the operational plans are to address how it is to be done. According to the Strategic Management System,

- only a minimum number of plans are to be published;
- plans should be consolidated and redundancies eliminated wherever possible; and
- only plans that are required by laws, directives, or plans that contribute to effective management should be published.

DOE's guidance further explains that published plans should identify their purpose and their relationship to the Strategic Management System, which seeks to mesh the Department's interrelated strategic planning. Determining which plans are unnecessary and which represent a "minimum" of plans is a difficult task. However, in some cases, it was apparent that planning staff were not sure if all plans were used or needed, as the following examples show:

- The Albuquerque Operations Office included a section for Defense Programs in its strategic plan, but officials there told us that they do not use it in the development of the Sandia National Laboratories' defense projects.
- Planning officials at the Office of Defense Programs told us that the Green Book is the primary plan for the office's program; however, as discussed above, at least one subprogram within the office has produced its own plan to meet its specific needs and others are being developed on a case-by-case basis.
- The Sandia National Laboratories had both an institutional plan, which included a strategic plan, and a second, separate strategic plan.
- The Savannah River Operations Office's strategic plan includes a section for environmental management; the site's Environmental Restoration Program has its own strategic plan; and the site also prepared a site-level Focus on 2006 plan for the Environmental Management program.

We discussed the proliferation of strategic and multiyear plans with the Acting Director of Strategic Planning, Budget and Program Evaluation, who explained that his office does not dictate the number of strategic plans that are appropriate or what the plans should look like. Currently, the number and appearance of strategic plans are left up to the individual headquarters program offices.

Conclusions

We believe DOE has an opportunity to increase the integration and cohesiveness of its programs by aligning its organization with its business lines and providing specific direction on how plans should be linked, from the lowest-level strategic and multiyear plans to the departmental strategic plan. Currently, DOE's strategic plan focuses the Department's activities in four business lines, but DOE itself is organized more traditionally with multiple programs and related headquarters and field offices that in turn are supported by contractors that operate DOE facilities. We recognize that changing DOE's organizational structure may not be easy. However, as DOE becomes more outcome oriented, it may find that its organizational structure is outmoded and must be changed to better fulfill its strategic missions and goals.

Furthermore, DOE's strategic planning is not being done with the benefit of a well-defined road map. The Strategic Management System lays out a program, but it does not provide sufficient detail to make strategic planning work efficiently or effectively. As a result, different ideas about strategic planning are emerging in DOE's program and field offices. To

develop a systematic, cohesive, and comprehensive strategic planning process, DOE needs to provide its offices with clear direction on strategic planning. Such direction should lay out which plans are needed and whether they should be strategic or operational plans.

Recommendations

We recommend that the Secretary of Energy take the following actions:

- Review the Department's organizational structure and seek opportunities to better align the organization with its strategic plan's business lines.
- Direct the Office of Strategic Planning, Budget and Program Evaluation to develop specific procedures that state how subordinate strategic and multiyear plans are to relate to the departmental strategic plan. In developing these procedures, the office should consider whether the goals and objectives of the subordinate plans should be linked to the departmental strategic goals, objectives, or strategies.
- Direct the Office of Strategic Planning, Budget and Program Evaluation to review DOE's requirements for subordinate strategic and multiyear plans and modify or eliminate those requirements that produce superfluous strategic and multiyear plans.

Agency Comments

DOE generally agreed with our findings and recommendations and provided comments to clarify its position. DOE pointed out that its Strategic Management System was designed as a framework for implementing the Results Act and was not meant to be a prescriptive directive that would replace basic, good management. DOE also reiterated that it may take several planning cycles to perfect its strategic planning process. Finally, DOE stated that its ongoing efforts seek to implement our recommendations.

Annual Performance Plan Could Be Improved and Incorporation of Contractors' Annual Goals Could Be More Timely

The Results Act envisions that federal agencies will achieve their strategic goals by meeting the performance goals in their annual performance plans. In addition, agencies' plans are to serve as a means of showing how budgetary resources will be used to achieve annual performance goals. Although DOE's annual performance plan for fiscal year 1999 broadly conforms to this vision, it does not allocate the requested budgetary resources to its annual performance goals. Such a linkage would show the Congress the budgetary resources DOE intends to apply to provide the level of performance indicated by the performance goals and measures in the agency's annual performance plan. In another matter related to performance, DOE was late in providing annual contract goals and incentive fees for its performance-based management contracts for the fiscal year that began October 1, 1997. As a result, the contractors managing DOE's facilities began their work before approved goals and incentive fees were made a part of their contracts.

Performance and Strategic Goals Are Linked, but Requested Budgetary Resources Could Be More Closely Linked to Annual Performance Goals

The performance goals in DOE's 1999 annual performance plan are linked to the agency's strategic goals and objectives. Although this linkage of goals and objectives meets the Results Act's requirement that annual performance plans be consistent with strategic plans, the annual performance plan does not directly link requested budgetary resources to the level of performance that is to be achieved during the fiscal year. An initiative undertaken by the Office of Environmental Management holds promise as a way to systematically link required budgetary resources to performance levels throughout DOE.

1999 Annual Performance Goals Could Be Linked Better to Requested Budgetary Resources

In its first annual performance plan under the Results Act, DOE met the act's requirement that an agency's performance plan be consistent with the agency's strategic plan by aligning the performance plan's goals and measures with those in its strategic plan. However, DOE could improve its annual performance plan and address another of the Results Act's expectations by identifying the budgetary resources required to meet its annual performance goals.

Although DOE associated its program activities¹ with its strategic goals and objectives, the annual performance plan could indicate more clearly the

¹The term "program activity" refers to the listings of projects and activities in the appendix portion of the Budget of the United States Government. Program activity structures are intended to provide a meaningful representation of the operations financed by a specific budget account.

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relationship between requested budgetary resources and program results. This relationship could be established by linking the funding levels from each of the program activities in its budget request to each of its annual performance goals in the annual performance plan. DOE does provide matrices for each business line that show the program activities and resource requests that contribute to the performance of its strategic objectives. However, these matrices do not show the amount of funds requested for each strategic objective. Because many of the program activities are associated with more than one strategic goal and many strategic goals are funded by several program activities, it is not clear how much DOE intends to spend to achieve any of its annual performance goals. Furthermore, the strategic goals are broadly written and do not explain the specific level of performance to be accomplished during the fiscal year. For example, the strategic goal for the energy resources business line states:

“The Department of Energy and its partners promote secure, competitive, and environmentally responsible energy systems that serve the needs of the public.”

This broad goal is not something that can be accomplished within 1 year. But the annual performance goals and measures that are aligned with these broad strategic goals, to varying degrees, do define the level of performance to be achieved during fiscal year 1999.² For example, one annual performance goal and measure under that particular strategic goal requires that during fiscal year 1999 DOE will be

“demonstrating four advanced production enhancement technologies that could ultimately add 190 million barrels of domestic reserves, including 30 million barrels during fiscal year 1999.”

If DOE’s annual performance plan presented the requested budgetary resources with this specific annual performance goal, the annual performance plan could be used to evaluate the anticipated performance in light of the funds requested to support it.

According to DOE’s Acting Director of Strategic Planning, Budget and Program Evaluation, the annual performance plan does not provide this level of specificity because DOE’s budget request is performance-based. The Acting Director explained that the annual performance plan links DOE’s programs and their requested budget amounts to the strategic

²In Results Act: Observations on the Department of Energy’s Draft Strategic Plan (GAO/RCED-97-199R, July 11, 1997), we noted that many of DOE’s annual performance goals and measures were process-oriented as opposed to results-oriented and that they needed to be more action-oriented.

objectives to which they contribute. The Acting Director further explained that by reviewing the budget request for those programs, it was possible to identify the annual performance goals and the funds requested to achieve those goals.

We attempted to link DOE's annual performance goals and measures from the annual performance plan to the budget request to see if it was possible. The budget request for the Office of Defense Programs did include a matrix that listed the performance goals and measures from the annual performance plan and identified the funds being requested to achieve those goals and measures.³ However for the budgets of the offices of Energy Research and Environmental Management, and several smaller offices that we looked at, the same clear linkage was not present. For example, for several performance goals and measures from the annual performance plan, it was possible to find the same or similar goals listed in various sections of the budget request. However, the funds to achieve these goals were not identified specifically with the individual goals. Furthermore, while the Office of Defense Programs' budget request included a matrix with the goals and the funds requested in one place, the other programs listed goals throughout the various sections of the budget request but did not include, in all cases, the associated resources. DOE can make the performance goals in its performance-based budget more useful by clearly linking them to the annual performance goals and measures in the annual performance plan.

**Environmental
Management's Accelerating
Cleanup: Focus on 2006
Links Planning, Budgeting,
and Reporting**

A key feature of the Office of Environmental Management's planning and budgeting process described in its draft plan, Accelerating Cleanup: Focus on 2006, is an electronic management system. This system is intended to tie budgetary resources to the expected level of performance for the program, field offices, sites, and individual projects.

The system covers several hundred individual environmental management projects—each documented in a project baseline summary. The project baseline summaries provide information such as the overall scope of work, schedule, estimated cost, and performance measures. These project baseline summaries will be used in the formulation of the annual budget and in the identification of the proposed levels of performance that are to meet the overall Environmental Management program's performance goals and measures. Finally, the project baseline summaries are used to track

³In a September 1997 memorandum, the Office of Defense Programs requested that its field offices develop a matrix to show the funds associated with DOE's performance measures.

actual performance. As a result, the Office of Environmental Management should have the information it will need to prepare future budget requests identifying the budgetary resources needed to achieve specific performance goals and measures in its annual performance plans. Because this information is based on the project baseline summaries, the office's budget requests will link the amount of resources needed with the expected level of performance and the related measures of that performance by the program, field office, site, and individual project involved. The office also expects to evaluate performance at these same organizational levels.

Although this planned system may succeed in providing specific links between the program's performance goals and required resources, we do not know if it is directly transferrable to DOE's other programs. As it is currently constructed, the system is designed to work for site-specific activities but may require some modification for programs that carry out single missions at several sites. For example, while the Environmental Management program is primarily measuring the individual performance of various sites, the Office of Defense Programs' planning officials explained that the Stockpile Stewardship and Management Program requires measuring the performance of several sites working together to accomplish the program's goals.

DOE Was Late in Establishing Goals and Incentive Fees That Link Contractors' Performance to DOE's Strategic Goals

In 1994, DOE adopted performance-based management contracts as part of its contract reform effort for the companies and universities that manage its facilities. While performance-based contracts can help DOE implement the Results Act by translating annual program performance goals into goals specific to particular contractors, the Department did not reach closure with its contractors on their annual goals and incentive fees before they began work under their contracts for fiscal year 1998.

In 1995, we reported that the contract for the Idaho National Engineering and Environmental Laboratory, one of DOE's first performance-based management contracts, was awarded without performance goals and incentive fees being included.⁴ In 1997, DOE's Inspector General also reported that performance measures had not been incorporated in the support contract for DOE's Nevada Operations Office until after the fiscal year had started. Specifically, the Inspector General noted that

⁴Federal Research: Information on Fees for Selected Federally Funded Research and Development Centers (GAO/RCED-96-31FS, Dec. 8, 1995).

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“for two of the measures, the Department’s requirements had not been established in advance of contractor performance. . . . As the fiscal year progressed, milestones were established that identified the work to be performed for Bechtel to earn its incentive fee. However, many of the milestones were added after the work had already been accomplished by Bechtel.”⁵

The Inspector General concluded that

“performance milestones established after the fact do not incentivize future contractor performance. This practice created a retroactive, artificial basis to support the payment of contractor fees and was incompatible with the basic principles of performance-based contracting.”

In light of the implementation and other problems identified by us, DOE’s Inspector General, and DOE’s Office of Procurement and Assistance Management, the Office of Procurement and Assistance Management, on August 28, 1997, required all performance objectives and associated incentive fees to be submitted to it for review and approval prior to the start of negotiations with the contractor.

DOE, in its performance-based management contracts, seeks to have performance goals and incentive fees incorporated in the contracts by the start of the fiscal year. However, for 16 of the 20 contractors, annual performance goal and incentive fee agreements were not approved until after the fiscal year began on October 1, 1997. Of these 16, 6 were approved in November 1997, 3 were approved in December 1997, 6 were approved in January 1998, and 1 was approved in March 1998. Several of the goal and incentive fee agreements were resubmitted after the beginning of the fiscal year because of budget uncertainties. Table 3.1 lists the dates on which the Office of Procurement and Assistance Management received the goals and incentive fees for review from the contracting offices and the dates on which it approved the plans so that negotiations could begin with the contractors.⁶

⁵Audit of the Contractor Incentive Program at the Nevada Operations Office (DOE/IG-0412, Oct. 20, 1997).

⁶For some contracts, the field offices actually began negotiations with their contractors before the Office of Procurement and Assistance Management issued its requirement on August 28, 1997, that goals and incentive fees be submitted to it for review before negotiations commenced.

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Table 3.1: Receipt and Approval Dates of Performance-Based Incentives, Fiscal Year 1998

Contract	Received from field^a	Approved by headquarters^b
Kansas City Plant	10/2/97	11/18/97
Waste Isolation Pilot Project	10/2/97	11/25/97
Strategic Petroleum Reserves	9/16/97	11/18/97
Pacific Northwest National Laboratory	9/5/97	1/23/98
Richland Management and Integrating Contractor	12/19/97	3/20/98
Richland Environmental Restoration Management Contractor	12/11/97	1/23/98
Pantex Plant	10/2/97	11/16/97
Lawrence Livermore National Laboratory	9/24/97	^c
Lawrence Berkeley National Laboratory	9/24/97	^c
Los Alamos National Laboratory	9/24/97	^c
Argonne National Laboratory	9/24/97	1/15/98
Fermi Laboratory	9/24/97	1/15/98
National Civilian Radioactive Waste Program	9/26/97	^c
Rocky Flats Environmental Technology Site	10/27/97	11/24/97
Oak Ridge Reservation	11/12/97	1/7/98
Fernald Site	8/18/97	11/24/97
Mound Plant	8/28/97	12/19/97
West Valley Project	9/8/97	1/7/98
Savannah River Site	10/7/97	12/15/97
Nevada Test Site	8/26/97	12/2/97

^aThe date shown is the date that a contract's performance-based incentives plan was initially received for review, regardless of the adequacy or completeness of the plan.

^bThe date shown is the date that the Office of Procurement and Assistance Management sent a letter to the contracting office formally approving the plan.

^cThe performance objectives and associated fee structure were submitted after they were incorporated into the contract. Accordingly, review was conducted for the purposes of providing lessons learned for subsequent evaluation/performance periods.

Source: DOE's Office of Procurement and Assistance Management.

Once the performance goals and incentive fees are approved, additional time may be required to negotiate the final agreements with the contractors. For example, the fiscal year 1998 performance goals and incentive fees for the Argonne National Laboratory contract were approved on January 15, 1998. However, the DOE contracting office in Chicago did not plan to begin fee negotiations with the contractor until late February 1998. Similarly, the fiscal year 1998 performance goals and incentive fees for the Rocky Flats Environmental Technology Site were approved on November 24, 1997. But after considerable negotiation, the Rocky Flats field office and the contractor had not, as of February 5, 1998, reached final agreement on the amount of incentive fees to be allocated to each individual goal. As a result of these delays, contractors were performing fiscal year 1998 work before DOE finalized the approved contractors' fiscal year 1998 annual performance goals and incentives.

DOE officials at the Chicago and Rocky Flats offices told us that the Office of Procurement and Assistance Management's new review process had contributed to the delays. A Rocky Flats planning official also noted that delays were attributable to his office's own efforts to perfect the performance goals and incentive fees before submitting them to headquarters for review and to the difficult negotiations his office had with the contractor. However, the Rocky Flats official acknowledged that his office could improve its own planning process and develop draft performance goals further in advance of receiving its final appropriations.

Conclusions

The Congress, in passing the Results Act, intended to improve the information that it receives from federal agencies for its policy-and decision-making. One of the Congress's goals was to get information on the level of agency performance to be expected for the amount of funds requested in the agency's budget request. For fiscal year 1999, DOE's annual performance plan did associate the funds requested with its broad strategic goals. However, if DOE explicitly identified its requested budgetary resources with the performance goals and measures in the annual performance plan, the Department would provide the Congress with an enhanced understanding of the budget requested to meet planned program results. Although the Office of Environmental Management's system for planning, budgeting, and reporting is not yet in final form, we believe that it shows promise in directly relating the required budgetary resources to expected levels of performance. This is an important and necessary feature of any annual planning system.

Moreover, incorporating performance goals and incentive fees in performance-based management contracts after contractors have already begun the work reduces the effectiveness of these contracts. Because these incentive fees are provided to enhance the contractors' efforts to meet the specified goals, adding the goals and incentive fees to contracts after work starts is contrary to the concepts of performance-based contracting.

Recommendations

We recommend that the Secretary of Energy take the following actions:

- Direct the Office of Strategic Planning, Budget and Program Evaluation to work with DOE's various programs to develop integrated management systems that directly link required budgetary resources to the level of performance that is identified in the annual performance plans.
- Modify the agency's contracting process to ensure adequate time is available to incorporate performance goals and fees in contracts for the start of the fiscal year's work.

Agency Comments

DOE generally agreed with our findings and recommendations and provided comments to clarify its position. DOE explained that it is currently working on a "mapping" effort that will better show the linkage of its annual performance plan to its budget request. Additionally, DOE stated that its ongoing efforts seek to implement our recommendations.

Examples of Strategic and Multiyear Plans

The plans listed in table I.1 were developed by organizations within DOE and, like the departmental strategic plan, cover more than a single year. During our review, we noted that planning staff from the various organizations referred to multiyear plans as strategic, multiyear, operational, and implementing plans. In some cases, staff from the same organization used these different terms to refer to the same document. The table lists plans that we identified and may not be an all-inclusive list of the plans at these DOE organizations.

Table I.1: Strategic and Multiyear Plans Developed by Various DOE Organizations

Office or facility	Strategic or multiyear plan	Explanation of plan
Office of Defense Programs organizations		
Office of Defense Programs	<u>Stockpile Stewardship and Management Plan</u>	This plan, referred to as the Green Book, is the office's strategic plan and is also referred to as an implementation plan. It was released in 1996 in response to the Department of Defense's concerns about the reliability of the nuclear stockpile. In 1997, section 3151 of the National Defense Authorization Act for Fiscal Year 1998 required that such a plan be submitted to the Congress on an annual basis, no later than March 15 each year.
Stockpile Life Extension Program	Stockpile life extension program draft plan (currently being developed)	Now in draft form, this multiyear plan is being developed to address concerns about an aging stockpile by defining current work and future requirements for the nuclear weapons complex.
Accelerated Strategic Computing Initiative (ASCI)	<u>ASCI Program Plan</u>	Although the ASCI program is covered by the Green Book, this multiyear plan further defines the ASCI program and, according to some DOE officials, publicizes the program.
Office of Energy Research organizations		
Office of Energy Research	<u>Energy Research Strategic Plan (August 1995)</u>	The Office of Energy Research was not formally required to develop this strategic plan but did so to support DOE's total quality management efforts. A replacement for this strategic plan is being developed at the request of the office's Director.
Office of Fusion and Energy Sciences	<u>Strategic Plan for the Restructured Fusion Energy Sciences Program (August 1996)</u>	The strategic plan was developed in response to the Conference Report accompanying the Energy and Water Development Appropriations Act of 1996. According to a DOE official, the report directed DOE, in cooperation with others, to prepare a strategic plan to implement a restructured fusion energy sciences program.
Office of Fusion and Energy Sciences	<u>Strategic Plan for International Collaborations on Fusion Science and Technology Research (currently being developed)</u>	According to a DOE official, the Office of Fusion and Energy Sciences is preparing this strategic plan to respond to an FY 1998 House Science Committee report (H. Rep. No. 105-67), which requested an answer to the question, "What international collaborations will the fusion program pursue in the 1998-2001 time frame?" Information developed by a working group of the fusion research community will serve as the technical basis for this plan.
Office of Fusion and Energy Sciences	<u>Multiyear Program Plan (currently being developed)</u>	This document is being prepared as part of the office's normal program management and oversight responsibilities. It will be an implementation plan that ties the program goals described in the Office of Fusion and Energy Sciences Strategic Plan to the actual work that will be done during the next 5 years.

(continued)

Appendix I
Examples of Strategic and Multiyear Plans

Office or facility	Strategic or multiyear plan	Explanation of plan
Office of Environmental Management organizations		
Office of Environmental Management	<u>Accelerating Cleanup: Focus on 2006</u> (currently being developed)	Referred to as the National 2006 Plan, this plan is the overall planning document for the office. The plan, currently being developed, will include the long-term strategies for DOE's Environmental Management program, but is expected to be continually revised.
Albuquerque Operations Office organizations		
Albuquerque Operations Office	<u>Strategic Plan Fiscal Year 1997 Update</u>	This plan was developed as a result of quality management and strategic planning initiatives.
Sandia National Laboratories	<u>Institutional Plan, FY 1997-2002</u>	The plan was required by DOE Order 5000.1B, Institutional Planning by Multiprogram Laboratories, which established DOE's policies regarding institutional planning for multiprogram laboratories.
Sandia National Laboratories	<u>Strategic Plan 1994</u>	Updated in 1996 to add new strategic objectives, this plan originated with Sandia's first strategic planning efforts in 1989.
Chicago Operations Office organizations		
Chicago Operations Office	<u>Strategic Plan, 1996-2001</u> (July 1996)	According to Chicago Operations Office officials, they were not formally required to prepare this plan, but did so to implement DOE's higher-level objectives. The plan focuses on the office's administrative and oversight responsibilities and does not address programmatic work done by the national laboratories within the office's jurisdiction. The plan is closely linked to the corporate management section of DOE's strategic plan. This plan also serves as a framework for the annual business plans required in the office's nine administrative groups.
Argonne National Laboratory	<u>Institutional Plan, FY 1998-2003</u> (July 1997)	This plan was required by DOE Order 5000.1B, Institutional Planning by Multiprogram Laboratories, which established DOE's policies regarding institutional planning for multiprogram laboratories. The Institutional Plan includes the Laboratory's <u>Science and Technology Strategic Plan</u> , which is supported by 22 planning units at the laboratory.
Oak Ridge Operations Office organizations		
Oak Ridge Operations Office	Update of 1995 strategic plan	The office is currently updating its 1995 strategic plan as a result of a quality initiative.
Oak Ridge National Laboratory	<u>Institutional Plan, 1997-2002</u> (October 1996)	This plan was required by DOE Order 5000.1B, Institutional Planning by Multiprogram Laboratories, which established DOE's policies regarding institutional planning for multiprogram laboratories.
Oak Ridge Institute for Science and Education contractor	<u>Institutional Plan, 1997-2002</u> (December 1996)	This plan was required by DOE Order 5000.1B, Institutional Planning by Multiprogram Laboratories, which established DOE's policies regarding institutional planning for multiprogram laboratories.
Thomas Jefferson National Accelerator Laboratory	<u>Institutional Plan, 1996-2002</u> (May 23, 1996)	This plan was required by DOE Order 5000.1B, Institutional Planning by Multiprogram Laboratories, which established DOE's policies regarding institutional planning for multiprogram laboratories.
Lockheed-Martin	<u>Lockheed-Martin Energy Systems Strategic Plan</u>	The plan was required internally. It includes a vision, business strategy, and objectives.

(continued)

Appendix I
Examples of Strategic and Multiyear Plans

Office or facility	Strategic or multiyear plan	Explanation of plan
Rocky Flats Environmental Technology Site/Rocky Flats Field Office		
Rocky Flats Environmental Technology Site	<u>Final Rocky Flats Cleanup Agreement</u> (July 19, 1996)	This is the tripartite agreement among DOE, the State of Colorado's Department of Public Health and Environment, and the U.S. Environmental Protection Agency regarding the cleanup requirements at Rocky Flats. Although it was not written as a strategic plan, this document provides terms and conditions for strategic planning purposes. It also provides a vision and specific strategies and milestones on cleanup tasks during the multiyear process of closing the site.
Rocky Flats Environmental Technology Site/Rocky Flats Field Office	<u>Accelerating Cleanup: Focus on 2006</u> , discussion draft (June 1997)	The document was prepared to support DOE's Office of Environmental Management's plan, <u>Accelerating Cleanup: Focus on 2006</u> , discussion draft.
Rocky Flats Environmental Technology Site/Rocky Flats Field Office	<u>Accelerating Cleanup: Path to Closure, Rocky Flats Environmental Technology Site</u> , draft (February 1998)	The Rocky Flats Field Office released this draft plan to synthesize existing strategic plans, linking them with baseline, benchmark, and budget documents, and then to provide a scenario for DOE's long-term, continuing mission at the site.
Savannah River Operations Office organizations		
Savannah River Operations Office	Strategic plan, draft (September 1997)	The plan was prepared for various reasons, including the Results Act, DOE strategic planning initiatives, and quality improvement initiatives.
Savannah River Site	Site strategic plan (1994)	The plan was prepared for the new direction and strategic agenda defined by the Secretary of Energy and DOE's 1994 Strategic Plan.
Savannah River Operations Office's Environmental Management Program	<u>Savannah River Accelerating Cleanup: Focus on 2006</u> (June 1997)	The plan was prepared to support DOE's Office of Environmental Management's plan, <u>Accelerating Cleanup: Focus on 2006</u> , discussion draft, June 1997.
Savannah River Operations Office's Environmental Restoration Program	<u>Savannah River Environmental Restoration Program Strategic Plan</u> (1997)	The plan was prepared to provide direction to the Savannah River Site's environmental restoration program.
Energy Information Administration		
Energy Information Administration	<u>1998-2002 Strategic Plan</u> (1997)	This plan was prepared to meet the internal needs of the administration.

Comments From the Department of Energy



Department of Energy
Washington, DC 20585

March 23, 1998

Susan D. Kladiva, Associate Director,
Energy, Resources, and Science Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Ms. Kladiva:

Thank you for the opportunity to comment on the proposed report entitled, Results Act: DOE Can Improve Linkages Among Plans and Between Resources and Performance (GAO/RCED-98-94, Code 141055). On behalf of the Secretary, I would like to provide the following observations and comments on the report.

The Department of Energy agrees with the principles that GAO has stated in this report. We also agree in principle with most of the findings and recommendations. However, the following comments are submitted to clarify our position on some of the specific statements made and the recommendations.

DOE fully supports the implementation of the Government Performance and Results Act of 1993 (Results Act). The DOE Strategic Management System, that is referenced in this report, was designed as a Department-wide framework for the implementation of the Results Act and was not meant to be a prescriptive directive that would effectively eliminate local management prerogative in an environment such as DOE's that is very diverse in both mission and management requirements. A detailed directive can not take the place of basic, sound management.

As to the lack of explicit linkage from plan to plan, we would like to reiterate that many of the plans referenced in this study were completed prior to the completion and publication of the DOE Strategic Plan. As GAO has stated in this report, "... it may take several planning cycles to perfect the process". It will also take several planning cycles to improve the explicit linkage among the multiple levels of plans generated by DOE. In addition, GAO references many subordinate strategic plans that are not specifically linked the DOE goals and objectives. The use of the term "Strategic Plan" can be applied to a planning exercise that is not intended to show direct linkages to a broader set of goals and objectives, but rather, as an exercise to align an organization's resources and management/business practices such that they are postured to support the overarching goals and objectives of DOE. This is a legitimate use and practice of strategic planning. Many of the plans referenced are such plans and should not be confused with subordinate strategic plans that are intended to communicate the vertical linkage of the Results Act goals and objectives.

In terms of the Annual Performance Plan and a link to resources, although it may appear that there is not a direct link to resources if one only reads the Performance Plan in isolation of the Congressional Budget Submission, the DOE Annual Performance Plan is directly linked to

Appendix II
Comments From the Department of Energy

resources as the Results Act requires. We are currently working on a "mapping" that will better demonstrate this linkage.

Specific Comments:

DOE generally agrees with the recommendations stated on pages 34 and 45 of the GAO report with the following clarifications.

With regard to recommendation 1, "Review the Department's organizational structure and seek opportunities to better align the organization to its strategic plan business lines." DOE constantly seeks opportunities to better manage a very complex and diverse organization. There are many reasons for a particular organizational structure, including legislative authority, appropriation structure, functional requirements, etc. No single alignment will yield an organization for DOE that will eliminate cross-cutting objectives. DOE does, in fact, have a management mechanism for coordinating and managing programs from a business line perspective. Each business line, with all the appropriate Program Office principals, meet as a corporate board with the Secretary to perform that oversight/coordination function. This process is working well and will continue to achieve the goal envisioned by recommendation 1.

For recommendation 2 and 3, while DOE agrees it should be noted that the Office of Strategic Planning, Budget and Program Evaluation has an ongoing mission to do precisely what is recommended. The recommendations should add the words "to continue" between the "to develop" in order to recognize this.

Technical Corrections:

Page 34, under Recommendations:

The office referenced in bullets two and three should read "Office of Strategic Planning, Budget and Program Evaluation."

Page 48, Appendix I, RE: Stockpile Life Extension Program:

The last column should read as follows: "Now in draft form, this multi-year plan is being developed to address concerns of an aging stockpile by defining current work and future requirements for the nuclear weapons complex."

Sincerely,



Robert W. Gee,
Assistant Secretary
Office of Policy and International Affairs

Now on pp. 25 and 33.

Now on p. 25.

Now on p. 34.

Major Contributors to This Report

Resources,
Community, and
Economic
Development Division

Jeffrey E. Heil, Assistant Director
Robert M. Antonio
Robert E. Sanchez
Linda Chu
Gene M. Barnes
Gary M. Malavenda
Leslie Albin

Office of the General
Counsel

Kathleen A. Gilhooly

Related GAO Products

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges ([GAO/GGD-98-44](#), Jan. 30, 1998).

Results Act: Observations on the Energy Information Administration's September 1997 Strategic Plan ([GAO/RCED-98-66R](#), Jan. 27, 1998).

Federal Management: Overview of Major Management Issues Facing Executive Agencies ([GAO/OCG-98-1R](#), Jan. 1998).

Results Act: Observations of the Department of Energy's August 15, 1997, Draft Strategic Plan ([GAO/RCED-97-248R](#), Sept. 2, 1997).

Results Act: Observations on the Department of Energy's Draft Strategic Plan ([GAO/RCED-97-199R](#), July 11, 1997).

Department of Energy: Contract Reform Is Progressing, but Full Implementation Will Take Years ([GAO/RCED-97-18](#), Dec. 10, 1996).

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