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# General Accounting Office

## Impact Uncertain From Reorganization Of The Water And Power Resources Service

GAO evaluated the December 1979 reorganization of the Department of the Interior's Water and Power Resources Service and assessed its possible effects on operations. Neither GAO nor the Service can be certain this reorganization will accomplish the stated objectives because it was implemented without identifying ways to measure its impacts.



GAO reviewed a number of alleged adverse impacts concerning the reorganization and found them to be varied. Because of these variances, GAO is making recommendations to

- establish methods to measure the effectiveness of the reorganization and
- reevaluate staffing needs and capabilities for contract administration and reassign responsibilities where needed.



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

COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

B-202918

The Honorable Max<sup>S.</sup>Baucus  
The Honorable Dennis DeConcini  
The Honorable Pete V. Domenici  
The Honorable (Jake)Garn <sup>ETWISN</sup>  
The Honorable Gary<sup>W</sup>Hart  
The Honorable Orrin G. Hatch <sup>(SRA)</sup>  
The Honorable S.I. Hayakawa  
The Honorable Paul Laxalt  
The Honorable John Melcher  
The Honorable Malcolm Wallop  
United States Senate

This report responds to your July 1, 1980, letter that asked us to review the December 1979 reorganization of the Department of the Interior's Water and Power Resources Service. This reorganization decentralized some authority from the Service's Engineering and Research Center in Denver, Colorado, to its seven regional offices. You asked us to review and evaluate the basic assumptions for the reorganization and to assess the possible impacts of the reorganization. Specifically, you listed six alleged adverse impacts that might result from the reorganization. Our findings are summarized below and presented in detail in the appendixes.

The former Commissioner of the Service had three major objectives for the reorganization: to increase program accomplishment, to improve contracting, and to resolve the internal power struggle between the Engineering and Research Center and the regions.

Neither we nor the Service can be certain this reorganization will accomplish the stated objectives because the Commissioner implemented the reorganization without identifying ways to measure its impacts.

We reviewed the alleged adverse impacts that the reorganization may have on the Service's ability to perform its mission and found these impacts to be varied.

--Lines of authority were not blurred.

--Efficiency has decreased.

- Costs have increased.
- Safety and technical quality should not be compromised.
- Chaos and mass resignations did not occur.
- Nonuniform contract administration did not occur.

Two areas require the Commissioner's attention. First, the Service has no methods to measure the impacts of the reorganization, therefore, it cannot assess the reorganization's effectiveness. Second, it is unclear whether the Engineering and Research Center or the regional offices will do the agency's contracting in the future. Because of this confusion, both are now staffed to perform this function. This dual staffing has increased the Service's overall contracting staff costs by about \$900,000.

#### RECOMMENDATIONS

We recommend that the Secretary of the Interior direct the Commissioner, Water and Power Resources Service, to

- establish methods to measure the reorganization's effectiveness and
- reevaluate staffing needs and capabilities for contract administration and reassign responsibilities where needed.

The Water and Power Resources Service reviewed a copy of the draft report and generally agreed with our recommendations but disagreed that there was confusion over who will do the Service's contracting in the future. The Service's comments (see app. III) and our evaluation are included on page 13 of appendix I.

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Unless you publicly announce its contents earlier, we plan no further distribution of this report until 3 days from the date of the report. At that time the report will be provided to the appropriate congressional committees; the Secretary of the Interior; the Commissioner, Water and Power Resources Service; and other interested parties.



Henry Eschwege  
Director

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IMPACT UNCERTAIN FROM REORGANIZATION OF THE  
WATER AND POWER RESOURCES SERVICE

MISSION AND ORGANIZATIONAL STRUCTURE

The Water and Power Resources Service (WPRS), Department of the Interior, conserves and develops water and power in 17 Western States by constructing public works projects. These projects include dams, reservoirs, tunnels, canals, and power plants.

As shown in the organizational chart in appendix II, WPRS consists of three major components--the Commissioner's office, four Assistant Commissioners, and seven regional offices. The reorganization discussed in this report relates to the Commissioner's office in Washington, D.C.; the Engineering and Research Center (ERC), a technical facility reporting to the Assistant Commissioner-Engineering and Research, in Denver, Colorado; and the regional offices. The Commissioner's office directs all activities, such as developing policies and procedures and providing liaison with the Congress and other agencies. ERC is WPRS's technical arm and as such, designs major projects, provides technical guidance to the regional offices, and ensures the adequacy of all WPRS structures. It has two major organizational components in the construction process: the Division of Design, which designs major projects, and the Division of Construction, which provides technical assistance on construction and contract administration matters. The regional offices initiate and plan projects, administer construction programs, operate and maintain completed facilities, and provide limited designing and engineering. Regional contracting officers write and administer construction contracts, while regional project construction engineers provide daily on-site construction supervision and monitoring.

HISTORY OF RECENT REORGANIZATIONS

From April 1977 to December 1979, the Commissioner changed WPRS's organizational structure three times. According to the Commissioner's office, the objectives of these changes included

- increasing productivity and program accomplishment to offset a reduced full-time staff and an increased workload,
- improving accountability,
- reducing duplication of effort,
- using outside sources of technical assistance,
- improving contracting practices, and
- resolving the internal struggles among Washington, ERC, and the regions.

September 1978: reorganizing procurement operations

In this reorganization, the Commissioner restructured WPRS's procurement operations in an attempt to improve the agency's contract procedures and to improve efficiency by consolidating multiple procurement activities. He established a Washington Office of Contract Oversight and Policy to review major procurement and contract activities. He also established a Division of Procurement and Contracts in ERC.

This new division's major purpose was to perform construction contracting, formerly done by engineers in ERC's Division of Construction. Historically, construction contracting had been delegated to engineers, since most contract problems were thought to be related to engineering rather than to administration. The new division, however, was to be staffed with procurement specialists who could understand and correctly interpret Federal Procurement Regulations. Several high level officials in the Commissioner's office told us that the Commissioner was concerned that the engineers had not been administering contracts in compliance with procurement regulations.

The reorganization was not implemented as planned because it generated considerable opposition among ERC staff. They feared that the structural safety of projects would be jeopardized if procurement specialists--unfamiliar with the technical aspects of construction--administered or negotiated contracts. Under the actual reorganization, ERC did not hire procurement specialists; it merely called the engineers responsible for contract administration procurement specialists and transferred them from the Division of Construction to the Division of Procurement and Contracts.

December 1978: centralizing authority in ERC

In the Commissioner's next reorganization, he wanted to improve accountability by strengthening ERC's power to manage the construction program. The Commissioner delegated authority for the construction program to ERC. To guarantee technical quality and ensure that projects were built according to design specifications, he gave ERC's Division of Construction the responsibility to oversee all phases of construction. Control of construction personnel in the regions also became an ERC responsibility.

According to WPRS officials, this reorganization was never fully implemented because regional directors opposed the reduction of their authority. The regional directors thought that they should be involved in constructing projects in their regions because they were responsible for operating and maintaining them and for answering to the projects' users. Internal opposition to this change caused the December 1979 WPRS reorganization.

December 1979: decentralizing authority to the regions

In the latest reorganization, the Commissioner reversed many of the elements of the two prior reorganizations. First, he abolished ERC's Division of Procurement and Contracts and gave regional directors responsibility for administering new construction contracts. He gave the regions until October 1981 to assume this new responsibility. A small core of experts was to remain with ERC to provide specialized technical contracting support for the regions.

Second, he gave the regions responsibility for completing the construction program. ERC no longer controlled the construction program nor the regional project construction engineers. Instead, ERC became a technical advisor to the regions. Regional directors became responsible for appointing project construction engineers and supervising the construction program. However, design authority remained with ERC to ensure the quality of the structures.

Third, the Commissioner gave regional directors the authority to contract design work to outside sources if ERC could not meet their needs. The Commissioner hoped that regional directors would be less hesitant than ERC to use outside sources for designs and thus hoped to reduce WPRS's construction backlog.

UNCERTAINTY THAT REORGANIZATION  
WILL ACCOMPLISH OBJECTIVES

The Commissioner had three major objectives for the December 1979 reorganization. First, as a long-term goal, he wanted to increase program accomplishment by improving WPRS management. (Program accomplishment is WPRS's term to describe the percentage of appropriated funds spent to complete its construction program.) His second, more immediate goal was to improve contracting processes and procedures. His third goal was to resolve the internal power struggle between ERC and the regional directors.

Although the Commissioner's objectives were admirable, we are uncertain whether the organizational changes will meet these objectives. No specific studies were made to document the problems before the reorganization, nor were any measures established to indicate if the objectives were being accomplished.

Improvements in program  
accomplishment uncertain

The Commissioner's long-term reorganizational goal was to increase program accomplishment by improving WPRS management through

- increasing regional director accountability,
- allowing regional directors to use outside contractors,  
and

--improving the efficiency of regional personnel.

As discussed below, it is uncertain whether the December 1979 reorganization will achieve the Commissioner's objectives.

Making regional directors  
fully accountable for program  
accomplishment

Before December 1978 the regional directors were responsible for program accomplishment but ERC controlled many construction and design activities. In December 1978 the Commissioner centralized accountability for construction program accomplishment in ERC. As a result of the December 1979 reorganization, the regional directors have full responsibility for program accomplishment, while ERC acts as a technical advisor. Even though accountability has changed, reassigning overall responsibility probably cannot significantly affect WPRS's program accomplishment because, according to WPRS records, the major elements of program slippage are external and beyond the control of any WPRS organizational element--Washington, ERC, or the regions. For example, more than 85 percent of the program slippage in 1979 and 1980 was due to external causes such as bad weather and legal delays. Based on this data, WPRS's only chance for improving program accomplishment is to better manage the 15 percent of program slippage it can control.

Allowing regional directors to use  
non-WPRS contractors for engineering  
and design work

Until the latest reorganization, ERC had the authority to employ outside sources of technical assistance. However, since ERC considered itself to be in competition to provide such services, it never extensively used outside engineering and design sources. The Commissioner believed that using these outside sources would speed up design and engineering work and reduce WPRS's \$10 billion work backlog. Under the latest reorganization, regional directors may offer work to outside contractors if ERC cannot complete the work when it is needed.

The Commissioner cited the \$10 billion backlog on WPRS construction projects as a reason to use more outside design contractors. However, this backlog represents congressionally authorized projects for which funds have not been appropriated. Without appropriations, WPRS has no authority to spend any funds on these projects. Consequently, the authority of regional directors to use outside design contractors cannot have any impact on reducing the backlog until the Congress actually appropriates funds.

Even if regions exercise their option to use outside sources of technical assistance, it may not significantly speed up design and engineering work and may have only minimum impact on program accomplishment. ERC must still review and approve all designs and specifications, including those prepared by outside sources. ERC

officials stated that having work prepared by an outside firm and then reviewed by ERC may not be less time consuming. Further, this option may not increase program accomplishment because design work is only a small part of the total budget.

#### Improving efficiency of regional personnel

WPRS headquarters staff believed that some regional personnel were not used efficiently and that the reorganization would improve their productivity and thus program accomplishment. WPRS made no attempt to measure how efficiently regional staff were being used because it has no formal system to evaluate staff efficiency. Since no data was available and WPRS had not established any method to measure productivity, it could not determine whether regional staff were being used efficiently and could not measure any changes in productivity caused by the reorganization.

#### Contracting improvements are questionable

Another of the Commissioner's reorganization goals was to improve contract administration by decentralizing some contracting functions. Since decentralized contracting has not been fully implemented, it was too early for us to evaluate its long-term impacts. In addition, WPRS was having difficulties in implementing the reorganization because there is confusion over who will do what contracting after October 1981.

Before 1978 construction management and contract administration were centralized in the Division of Construction, ERC. Headquarters staff perceived this centralization as a potential conflict of interest. This perception was at least partially influenced by the Department of the Interior's Solicitor's Office, which was adamant that these functions be separated to protect the public. The Commissioner, in September 1978, moved the Construction Contracts Branch into the new Division of Procurement and Contracts.

In the December 1979 reorganization, the Commissioner abolished ERC's Division of Procurement and Contracts and decentralized some of its functions--mainly construction contracting--to the regions. Besides improving procurement practices, the Commissioner thought that decentralizing construction contract administration would also make procurement staffs more responsive to regional directors and their staffs. Under the reorganization, regional directors were now also responsible for construction management. Because the Commissioner transferred both contract administration and construction management to the regions, the functions do not appear to be any more separated than before.

The Commissioner's decision to decentralize was not based on any specific studies of contracting problems. Since the Commissioner did not identify what kind of contracting problems existed before the reorganization, we could not evaluate whether decentralization has improved or hindered contracting.

WPRS is having trouble implementing the decentralization. The regions are to assume all construction contracting by October 1981 and are staffing to meet this responsibility. The Commissioner initially planned that 21 contract administrators would be transferred from ERC to the regions. This transfer would accomplish dual purposes: it would transfer contract administration expertise to the regions and reduce the number of contract personnel in ERC. During implementation, however, neither purpose was accomplished. No ERC personnel transferred to regional contract administration offices and the regions hired some new staff to fill their contracting positions. ERC's construction contracts branch chief is not reducing his contract administration staff because the regions have been slow in assuming ERC-administered contracts and because he does not believe all contracting will be done by the regions. This confusion over who will do what contracting after October 1981 is leading to dual contract administration capability and increased personnel costs.

#### Internal power struggles may continue

Historically, WPRS has had an internal power struggle between ERC and the regional directors over program leadership. WPRS officials told us that before 1970, ERC was the dominant leader in WPRS because of its technical engineering ability. Since then, power has fluctuated in varying degrees between the two factions. In 1978 the Commissioner tried to centralize most construction authority in ERC. This resulted in what the Deputy Assistant Commissioner, ERC, termed a "civil war" between the two factions. The regional directors were opposed to the centralization and especially to the transfer of regional construction personnel to ERC's authority. WPRS officials indicated that the regional directors' opposition to centralization prevented its implementation; their pressure persuaded the Commissioner to abandon the centralization concept. As a result, in the 1979 reorganization, he decentralized some functions to the regions, including the responsibility for the construction program. This decentralization relegated ERC to a technical advisory role.

We believe the Commissioner's attempt to resolve the internal power struggle was the primary reason for the 1979 reorganization. However, WPRS could probably function adequately under either a centralized or a decentralized organizational structure. Since WPRS's construction work is divided into two distinct areas--ERC design and regional construction--changing the organizational structure may not eliminate the potential for friction.

#### ALLEGED IMPACTS OF THE REORGANIZATION VARY

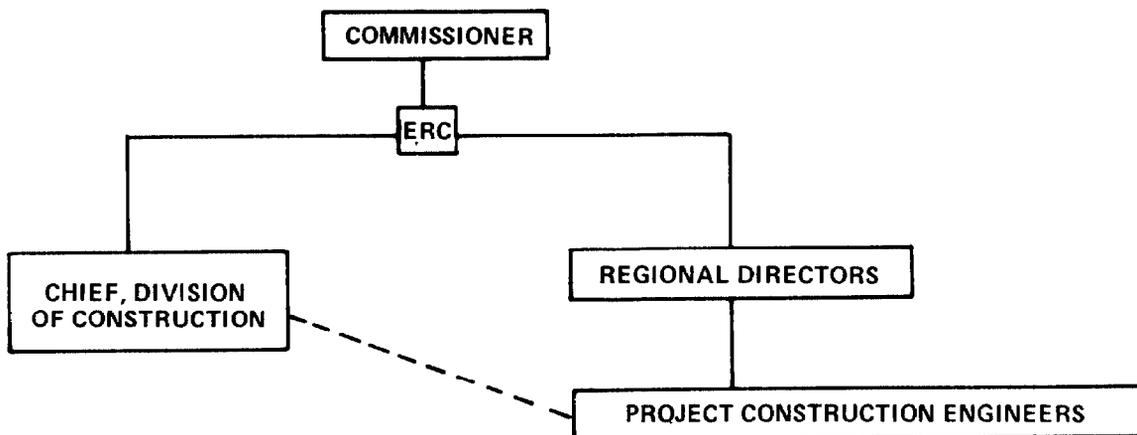
We reviewed a number of alleged adverse impacts that the current reorganization may have on WPRS's ability to perform its mission. The chief allegations, made by individuals both inside and outside WPRS, concerned

- blurred lines of authority,
- decreased efficiency,
- increased costs,
- compromised safety and technical quality,
- mass resignations that left the organization in chaos, and
- nonuniform contract administration.

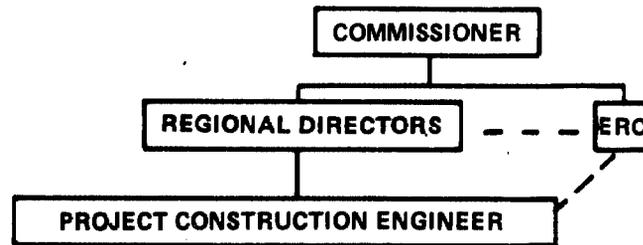
We found some allegations true, others unfounded, and some difficult to evaluate because the reorganization has not been fully implemented. For example, although there were some high-level resignations and retirements, WPRS continues to function. In addition, although the new organization will be more expensive in terms of personnel, WPRS management believes these additional costs will be offset by improved responsiveness and better contracting practices. However, even when the changes are fully implemented, it will be difficult to assess any improvements because WPRS has not established any methods to measure changes.

Lines of authority were not blurred

In the December 1978 reorganization, WPRS was highly centralized, with ERC responsible for the construction program. In that reorganization, the Commissioner gave ERC responsibility for both field supervision and accomplishment of the construction program. The line of authority ran from the Commissioner through ERC and then to regional directors and project construction engineers. The Commissioner gave ERC's Division of Construction full technical supervisory responsibility (represented below by the dashed line) over project construction engineers. However, this centralized organization was never fully implemented.



In the December 1979 reorganization, the Commissioner reversed this centralized concept by decentralizing some operations and making regional directors responsible for all program accomplishment. The new organizational structure gave the regions control over entire projects. The Commissioner gave regional directors the authority to use outside sources for designs and gave them control over construction and contracting. He relegated ERC to an advisory role (represented by the dashed lines below), but gave it technical responsibility for all WPRS structures.



Lines of authority were neither blurred nor clarified in the December 1979 reorganization. Although WPRS has been decentralized, the functional areas are unchanged. These three functional areas --design, construction, and contracting--were involved in the construction decisionmaking process before the reorganization, and these same areas continue to be involved after the reorganization. Design and construction are performed by the same people as before, but contracting is now performed by a mixture of ERC and new regional staff. The lines of authority for these functions do not appear to be any more or less blurred than before.

Efficiency has decreased

Initially, efficiency has decreased because ERC and the regions are now jointly involved in the construction decisionmaking process. This new joint involvement means that new communication lines and working relationships must be developed, which takes time and contributes to inefficiency. WPRS has changed some procedures to alleviate these problems. However, we could not determine the long-term impact on efficiency.

The current reorganization increased regional control and limited ERC to a technical advisory role, but some participants' functions have not changed. For example, the Division of Design still prepares major project designs and the project construction engineers still monitor construction and provide on-site guidance and direction to contractors. However, some new participants are included in the decisionmaking process. For example, some regional personnel, most of whom are new to WPRS, now administer contracts.

The increased interaction required between ERC and the regions has decreased efficiency. For example, ERC formerly set a standard of 8 weeks for issuing specifications. Since the reorganization, the standard for this activity, performed jointly by ERC and the regions, is set at 15 weeks for comparable projects.

WPRS has tried to alleviate some of the inefficiencies caused by these increased interactions. For example, initially, all project construction engineer communications were to be routed through a regional office. When this procedure proved to be overly cumbersome, WPRS allowed project construction engineers to communicate directly with ERC on technical matters. (Some officials pointed out that this solution merely reverted to the former communications process.) Until the new regional contract administration personnel become familiar with WPRS practices and establish working relationships, WPRS officials believe inefficiency will probably continue.

#### Costs have increased

One allegation questioned whether the reorganization increased WPRS's operating costs, since there are now seven regional contracting offices instead of one ERC contracting office. Costs have increased by approximately \$900,000.

The Commissioner transferred 21 positions from ERC to the regions to increase its procurement and contracting staff. The regional directors also transferred positions between various regional divisions to increase their contracting staff. To fill these positions, the regions hired procurement specialists and clerks from outside WPRS. Since ERC's staff has not been reduced, WPRS now has more procurement and contracting staff than it had before. As shown on the next page, 41 additional people are currently involved in contracting, at an approximate additional cost of \$900,000, although WPRS has had a fairly stable workload. We developed these personnel figures by calling each regional office's procurement and contract administration branch and by examining the organizational charts of each regional office. In commenting on our draft report, WPRS stated that only seven additional people were added to perform construction contract administration. In subsequent discussions with officials in the Commissioner's office, however, they agreed this figure should be around the mid-30s. Their information did not permit them to reconcile their estimates with our documented staffing figures from each region, but they pointed out that the increased staffing did not represent an overall increase in WPRS's personnel ceiling.

Procurement and Contract Administration Staff

	<u>Number of persons</u>	<u>Approximate cost</u>
Before reorganization:		
ERC	<u>20</u>	<u>\$500,000</u>
After reorganization:		
ERC	20	500,000
Regions	<u>41</u>	<u>900,000</u>
Total	<u>61</u>	<u>\$1,400,000</u>

According to some regional contracting officers, the regions will need even more staff after the reorganization is fully implemented and the regions assume all construction contracts. The regions are administering 25 new contracts; however, to date, only 4 of approximately 118 ongoing construction contracts have been transferred to the regions.

Safety and technical quality  
should not be compromised

One allegation questioned WPRS' ability to ensure that structures are built according to their designs, since the Commissioner gave ERC the responsibility for technical design quality and gave regional directors the responsibility for construction. This allegation also concerned the possibility that a technically incorrect decision may be made in the contract administration process, since the contracting officers are procurement specialists and not engineers. It was feared that such a decision could have adverse technical quality and safety impacts.

In response to our queries, at no time during our review did WPRS officials provide any examples of a contracting officer making an incorrect technical decision in the contract administration process. Incorrect decisions are possible, but we think they are unlikely. Although the contracting officers have final authority in the construction contracting process, they said that they are aware of their technical limitations and will not make contract administration decisions without appropriate technical review. Rather, they believe their role is to implement technical decisions in accordance with Federal Procurement Regulations.

To ensure technical quality, other controls also exist over construction compliance with design. The major control is the on-site project construction engineer, who supervises and monitors construction on a daily basis. We think it is doubtful that a

project construction engineer will now perform this function differently because he or she reports to a regional director instead of to ERC.

Another check on construction compliance is the project team, which monitors a project throughout design and construction. The team, consisting of ERC designers, the project construction engineer, and other ERC and regional personnel, periodically monitors and reports project status to ERC and the regional director. During construction the team reviews construction procedures and ensures consistency with design.

The Division of Technical Review, under the Assistant Commissioner for Dam and Structural Safety, provides another check on technical quality. This division reviews all designs and specifications for conformance with safety policies and technical criteria and reviews construction activities for compliance with technical specifications.

The question of compromised technical quality has been raised and debated by persons inside and outside of WPRS. We could not find evidence to substantiate this allegation. The Corps of Engineers and many private industry firms operate with such split authority. In our opinion, with the number of controls that have been implemented, WPRS should be able to operate with this split authority without compromising safety or technical quality.

#### Chaos and mass resignations did not occur

Another allegation was that the reorganization so seriously disrupted the WPRS staff that it caused a mass exodus from WPRS and a serious drop in productivity and morale. We found that the organization was continuing to operate at about the same level in 1980 as it did in 1979. However, since WPRS has no data or method to measure productivity, we could not determine the effect of the reorganization on productivity.

Although the 1980 attrition rate was higher than the 1979 rate, WPRS officials did not consider the attrition rate to be excessive. In fiscal year 1979, 35 professionals (GS-7 through GS-18) resigned or retired from ERC. In fiscal year 1980, 71 professionals (about 7 percent of ERC's professional staff) resigned or retired.

Our review of reasons given for leaving revealed that only three individuals cited the reorganization as their reason for leaving WPRS. These included two high-ranking officials--the Assistant Commissioner, Engineering and Research, and the Deputy Assistant Commissioner, ERC--and one midlevel manager in ERC's Construction Liaison Group.

Although many people are unhappy with the reorganized structure, we found the prevailing attitude among WPRS employees and contractors to be one of "making the reorganization work," whether or not they agreed with it.

#### Nonuniform contract administration did not occur

One allegation questioned whether WPRS could ensure uniform contract administration among the regions. Previously, there was only one contracting office (ERC), but now there are eight--one in each region and one in ERC. WPRS officials and contractors did not provide any examples of nonuniformity, but since decentralized contract administration has not been fully implemented, we could not evaluate it.

ERC continues to administer most contracts. The Commissioner required transfer of all contracting responsibility from ERC to the regions by October 1981. To date, the regions have primarily been awarding and administering new construction contracts instead of assuming existing contracts. In total, regions are administering 29 construction contracts. As of December 1980 ERC had approximately 114 active construction contracts to administer and expects to complete 50 of these by October 1981. As previously mentioned, only four ERC contracts had been transferred to the regions by December 31, 1980.

The Commissioner said that personnel skilled in the Federal contracting process should administer contracts and that it should make no difference where these personnel are located, since all are bound by the requirements of Federal Procurement Regulations. However, according to WPRS contracting officials, various interpretations of the regulations are possible. While variances in interpretation could result in nonuniform contract administration, regional officials said that their contracts are too new to have encountered such problems.

The Washington Office of Contract Oversight and Policy provides one check on uniform contract administration procedures within WPRS. This office reviews major procurement and contracting activities for adherence to applicable laws, policies, rules, and regulations. It also establishes WPRS policy and interprets the Federal Procurement Regulations and other contracting policies. The execution of these responsibilities should result in more uniform contract administration practices throughout WPRS.

#### CONCLUSIONS

Neither we nor WPRS can be certain the latest reorganization will accomplish the stated objectives because the Commissioner implemented the reorganization without identifying ways to measure its impacts. Two problems still exist that need the Commissioner's immediate attention. First, WPRS needs to establish methods to measure the impacts of the reorganization's effectiveness. Second, it is unclear who will do contracting after October 1981: ERC,

the regions, or both. This confusion over who will do what contracting after October 1981 is leading to dual contract administration capability and increased personnel costs.

#### RECOMMENDATIONS

We recommend that the Secretary of the Interior direct the Commissioner, WPRS, to

- establish methods to measure the reorganization's effectiveness and
- reevaluate staffing needs and capabilities for contract administration and reassign responsibilities where needed.

#### AGENCY COMMENTS AND OUR EVALUATION

Comments on a draft of this report were requested from the Secretary of the Interior. None of the comments (see app. III) required us to modify our conclusions, although we made suggested changes in the body of the report where appropriate.

WPRS stated that it generally agreed with our recommendations. It stated that one of the responsibilities of the newly established Office of Policy and Management is to conduct Service-wide program evaluations and that an evaluation of the reorganization's progress is currently underway. WPRS stated that this was the first step in developing a system to measure productivity and program accomplishment.

We commend WPRS for taking actions designed to promote the effective functioning of this reorganization. However, we again stress the need for a measurement system to provide data for evaluating the efficiency and productivity of WPRS and assessing the need for any future reorganizations.

WPRS disagreed that there was confusion over who will do what contracting after October 1981. It stated that the Commissioner's memorandum was clear about contracting responsibility and that no subsequent decisions were made to cast doubt on the intent to carry out the reorganization.

While WPRS considers the Commissioner's memorandum to be clear, the people who must implement the reorganization are apparently confused about their roles. The two major groups affected by this change--ERC and regional procurement and contract administration staffs--were unsure of the amount of contracting to be transferred and their roles after the October 1981 deadline. This confusion over the implementation of the Commissioner's decision is demonstrated by the dual contract administration capability that is being maintained in the regions and ERC.

SCOPE, OBJECTIVES, AND METHODOLOGY

The Senators' letter of July 1, 1980, asked that we evaluate the basic reasons for the December 1979 reorganization of WPRS and assess a number of potential impacts from the reorganization. Our work was performed from September 1980 through January 1981.

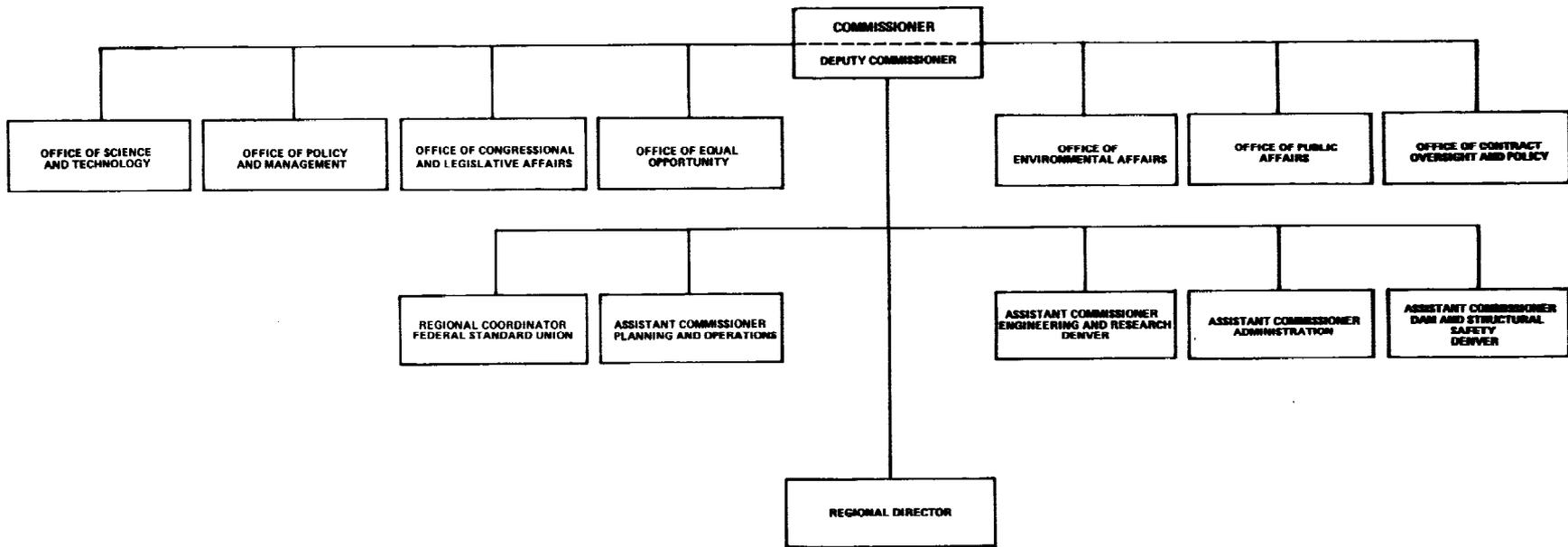
During our review we interviewed officials and examined records and documents at WPRS headquarters, Washington, D.C.; ERC, Denver, Colorado; and the seven WPRS regional offices. We directed our fieldwork toward WPRS's design, construction, and contracting activities because they were the functions primarily affected by this reorganization. We did not review other activities such as planning, administration, operations, or maintenance.

Our work at WPRS headquarters, primarily with the Commissioner and his staff, focused on the objectives for the reorganization and its expected impacts. At ERC and the regional offices, we interviewed officials responsible for design, construction, and contracting to obtain information on actual operating experiences both before and after the reorganization. In addition, we discussed the reorganization and its alleged adverse effects with officials at the Department of the Interior, the Corps of Engineers, and with former high-ranking WPRS employees. Finally, we interviewed several members of the Associated General Contractors, an association of the major WPRS construction contractors. We obtained their comments on operating experiences with WPRS's new organizational structure. These contractors were selected through our interactions with the Associated General Contractors' WPRS subcommittee.

In addition to interviewing the key participants in the reorganization, we solicited comments from WPRS employees at each office we visited. Many employees volunteered their opinions during interviews.

Since the reorganization is only in its early implementation stages and has little operating experience, much of the information gathered is based on personal comments and observations, rather than verifiable agency documentation. Because of the reorganization's and contractors' limited operating history, we largely relied on agency officials to provide examples of the reorganization's impacts and to assess the reasons for reorganizing. Our report synthesizes these comments and examples, as well as our opinions and conclusions.

WATER AND POWER RESOURCES SERVICE  
OCTOBER 1980





## United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

APR 7 1981

Memorandum

To: Comptroller General, U.S. General Accounting Office

From: **Acting** Assistant Secretary - Land and Water

Subject: GAO Draft Report, "Uncertain Impact from the Water and Power Resources Service Recent Reorganization"

I have reviewed the subject report and generally agree with its recommendations. However, several of the findings are either inaccurate or need minor revisions as indicated (specific references are to Appendix I):

- The Engineering and Research Center (ERC) is a facility, not an organization. References throughout the report to the ERC as an organization should be changed to ACER (Assistant Commissioner - Engineering and Research).
- The purpose of the 1978 reorganization was not only to improve the agency's contracting practices but also to improve efficiency through consolidation of multiple procurement activities (see page 2, paragraph 1, line 3).
- In addition to establishing a Division of Procurement and Contracts at the E&R Center, the Commissioner also directed a consolidation of procurement activities within the regions (see page 2, paragraph 1, line 5).
- The major purpose of establishing the Division of Procurement and Contracts at the E&R Center was not only to perform construction contracting formerly performed by the Division of Construction at the E&R Center (and thereby reduce the potential for conflict of interest) but also to consolidate five independent E&R Center procurement offices into a single unit (see page 2, paragraph 2, line 1).

- Conversations whether formal or informal are among the best ways to determine whether personnel have the capability of handling additional work. In fact, most policy decisions are arrived at after just such interactions. Therefore, we object to the statement in the report concerning the effective use of regional staff that, ". . . this was a Headquarters opinion based on conversation with regional personnel." It would be factual and objective to state that Water and Power Resources Service (WPRS) does not have in place a formal system for evaluating staff efficiency (see page 5, paragraph 4, lines 5 & 6).
- The direction to separate contracting from construction management came from the Assistant Secretary - Land and Water Resources, as well as from the Solicitor (page 6, paragraph 2, line 4-6).
- There is no confusion over who will do what contracting after October 1981 as the report concludes. The Commissioner clearly stated in his December 11, 1979, memorandum, "Administration of existing construction contracts presently being handled by the Assistant Commissioner - Engineering and Research will continue until completed or until October 1, 1981, whichever comes sooner. On October 1, 1981, the Regional Directors will assume responsibility for all construction contracting." Since that directive was issued, there have been no further instructions or decisions which would in any way cast doubt on the intent to carry the reorganization through fully as planned. A copy of that December 11, 1979, memorandum was distributed to all Assistant Commissioners, the Director, Office of Dam Safety, Engineering, and Science and the Regional Directors and it was widely circulated among their respective staffs. The fact that the Construction Contracts Branch Chief does not believe that the regions will assume all contracting on October 1, 1981, is immaterial. That individual has no authority to make determinations as to the outcome of the reorganization or even to determine what will be the ultimate size of his staff. Until such time as a review of the reorganization indicates some need to modify the original decision, the assumption by the regions of total contracting responsibility will continue as planned, with a concomitant reduction of staff in the Construction Contracts Branch (see page 7, paragraph 1, lines 5 and 6).

- Construction contract administration costs have increased since the 1979 reorganization. However, the increased cost is the result of seven additional people performing construction contract administration in the regions, not 41 as the report indicates. Prior to the 1979 reorganization there were 15 people performing construction contract administration functions in the regions; presently there are 22, an increase of seven. These staffing figures were verified by contacting each WPRS Regional Procurement Officer between March 27-31, 1981. It is important to note that the increased cost you refer to in this report should only relate to the construction contract administration function (see page 10, paragraph 3, lines 12-14 and chart).
- The Assistant Commissioner - Dam and Structural Safety, who left the Service was at the time of the reorganization the Assistant Commissioner - Engineering and Research (page 12, paragraph 5, lines 4 and 5).

Regarding your recommendation that WPRS establish methods to measure the effectiveness of the reorganization, it should be noted that the Office of Policy and Management, established in September 1980, has been charged with the responsibility for service-wide program evaluations. An evaluation by that office of the reorganization's progress is currently underway. On a larger scale, the Office of Policy and Management is conducting a systematic review of each Service function in order to develop a method by which resources can be allocated most efficiently and effectively. With such a system in place WPRS will be in a much better position to objectively measure its productivity and program accomplishment.

The report demonstrates that most of the allegations surrounding the reorganization are not valid. I believe that, on the whole, GAO's findings will have a positive impact on the overall effectiveness of the reorganization and on the morale of Water and Power employees, if for no other reason than to bring an end to the uncertainty brought about by these many months of controversy.

If you have any questions regarding my comments, please feel free to contact me or Commissioner Broadbent (343-4157).





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