



Resources, Community, and  
Economic Development Division

B-279941

June 10, 1998

Congressional Requesters

Subject: DOE: Fiscal Year 1999 Budget Request for Energy Efficiency and Renewable Energy and Financial Management Issues

As agreed with your offices, we are providing you with information on our review of the fiscal year 1999 budget request and financial management issues of the Office of Energy Efficiency and Renewable Energy (EE) within the Department of Energy (DOE).<sup>1</sup> This report identifies (1) programs and activities in EE's fiscal year 1999 budget request that raise questions because justifications for significant increases were unclear or inadequate, (2) funds that may be used to reduce the fiscal year 1999 budget request, (3) EE's efforts to reduce uncosted obligations,<sup>2</sup> and (4) problems in DOE's Financial Information System (FIS) and the Department's efforts to address them. In response to follow-up requests, we also reviewed the extent of research and development (R&D) activities in EE's Weatherization Assistance program and provided additional details about funds potentially available for reducing the fiscal year 1999 budget request for EE's programs.

SUMMARY

As shown in enclosure I, we found that Energy Efficiency and Renewable Energy's fiscal year 1999 budget request contains eight programs and activities with questionable justifications. The additional funds requested by five Energy Conservation programs and by three Solar and Renewable programs amount to about \$129 million and \$48 million, respectively, for a total of about \$177 million. Various problems, such as highly technical detail in some cases and inadequate information in others, weakened the justifications for the increases.

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<sup>1</sup>We provided this information to your offices in briefings during April and May 1998.

<sup>2</sup>Uncosted obligations represent the portion of DOE's budget authority that the Department has obligated for goods and services but for which it has not yet incurred costs.

Other concerns, such as the potential duplication of activities resulting from the proposed increases, also emerged. (See the section, "Individual Programs and Activities" for further details.)

In preparing the fiscal year 1999 budget request, Energy Efficiency and Renewable Energy identified \$17 million from prior year funds that it used for reducing the request. It also commented on the difficulty of identifying any further funds to reduce its request. We identified between \$264 million and \$286 million as potentially available for this purpose. We also found that many factors can contribute to increasing uncosted obligations and that Energy Efficiency and Renewable Energy has taken several steps to reduce the amount of funds in this category. DOE's Financial Information System has strengths as an accounting system but shortcomings as a financial management system that DOE recognizes and is taking steps to remedy.

### BACKGROUND

DOE's fiscal year 1999 budget request totals \$18 billion, of which EE's request for \$1.15 billion represents about 6.4 percent. EE's programs are divided between Energy Conservation's activities, which accounted for \$774 million, and Solar and Renewable Energy's activities, which accounted for \$372 million in the new request. Energy Conservation's activities involve the building sector, industry sector, transportation sector, the Federal Energy Management Program (FEMP), and policy and management. Solar and Renewable Energy's activities include photovoltaic and wind energy systems, geothermal technologies, electric energy systems and storage, biomass/biofuels energy systems, hydrogen research, and solar thermal energy systems.

Over the last several years, the Congress has reduced DOE's budget request and recommended that the agency use carryover balances in lieu of new funding. These carryover balances consist of both uncosted obligations and unobligated balances.<sup>3</sup> A portion of the carryover balances in any given year may be potentially available for use in reducing the budget request. Under a provision of the Energy Policy Act of 1992 (P.L. 102-486), DOE is required to submit an annual report on the status of its uncosted obligations. We have reviewed this

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<sup>3</sup>Unobligated balances represent the portion of DOE's budget authority that the Department has not obligated; EE's are comparatively small, amounting to about \$16 million at the end of fiscal year 1997.

area for a number of years.<sup>4</sup> DOE has focused on ways of reducing its uncosted obligations; its FIS is one of the Department's main financial systems and is used, among other purposes, to report on uncosted obligations.

PROGRAMS AND ACTIVITIES WITH  
QUESTIONABLE JUSTIFICATIONS

We had several general concerns about the justifications for the eight programs and activities that we reviewed in EE. We also had concerns about specific requests for increased funding. Among our general concerns about the justifications was the lack of prioritization in all eight programs; the budget request provided no guidance in deciding which program activities and proposed increases in funding were the most important. We also found repetition of proposed funding levels and justifications from one year to the next, for example, by the Weatherization Assistance program. We are concerned that, because the Congress rejected the proposed level of increases and justifications in the previous year, the repetition of proposed funding levels and justifications will provide no additional basis for their acceptance in the current budget request. We further found instances of highly technical detail, such as in the justifications provided by the transportation sector; this technical language made the justifications for the proposed increases difficult to understand. We also found instances of inadequate information, such as in the justifications provided by FEMP; FEMP's justification, for example, did not include a schedule of expected reimbursements to the program for its energy-saving activities that could offset its funding needs.

Among our concerns about specific requests for increased funding, we found that the \$19 million for new activity on climate change gases in the industrial sector of Energy Conservation may be used to duplicate the existing activities already funded at \$102 million in fiscal year 1998 in its Industries of the Future program. On the Solar and Renewable Energy side of EE, the Biopower/Biofuels request for an increase of \$31 million raised various questions, such as how one activity that received no funding in fiscal years 1997 and 1998 will be able to spend \$9.3 million in fiscal year 1999.

In some cases, however, EE program officials provided additional information that helped clarify the justification for the proposed increases. For example, DOE officials acknowledged the incomplete justification for the increase

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<sup>4</sup>DOE Management: DOE Needs to Improve Its Analysis of Carryover Balances (GAO/RCED-96-57, Apr. 12, 1996).

requested by FEMP and subsequently calculated potential reimbursements to the program for its energy-saving activities. FEMP officials have provided additional information, but FEMP's justification for its requested \$14 million increase remains unclear. It does not clarify, for example, the extent to which FEMP will expend funds for temporary hires, although the program manager told us that funds would be used for this purpose. Enclosure I provides additional details about the requested increases in these programs.

FUNDS TO REDUCE THE FISCAL  
YEAR 1999 BUDGET REQUEST

EE's fiscal year 1999 budget request identified \$17 million for Solar and Renewable Energy's activities and no funds for Energy Conservation activities that could be used to reduce the fiscal year 1999 budget request.<sup>5</sup> One potential source of funds that can be used to reduce the budget request is funds that have been deobligated, but EE budget officials have encountered problems with using this potential source for this purpose. For example, in response to a congressional request, they identified 130 deobligations with a total value of about \$37 million during the first 3 quarters of fiscal year 1997. However, they did not consider this amount available to offset the fiscal year 1998 budget. In fact, they considered only seven of these deobligations totaling about \$1.5 million to be available for this purpose. According to DOE officials, funds are deobligated for many reasons, but it is very difficult to link these funds with reductions of budget requests. DOE officials cited several reasons for this difficulty; for example, they pointed to the timing of the new budget request, which comes out when only 4 months of the current fiscal year have elapsed and they do not yet know what funds may become available.

Another source of funds that may be used to reduce the budget request is potentially available carryover balances from the previous fiscal year. In conducting our annual effort to estimate potentially available carryover balances for operating funds at the beginning of fiscal year 1999, we found between \$195 million and \$209 million for Energy Conservation and between \$69 million and \$77 million for Solar and Renewable Energy that could be used to reduce the fiscal year 1999 budget request. These carryover balances represent potentially

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<sup>5</sup>EE's fiscal year 1999 budget request shows that the Solar and Renewable Energy side of EE identified \$24.4 million from prior-year balances for fiscal year 1998 and \$22.4 million for fiscal year 1997. Energy Conservation identified no funds from prior-year balances for fiscal year 1998 and \$480,000 for fiscal year 1997.

available funds—the amount of projected carryover balances that exceed a minimum goal for balances needed to meet program commitments. Thus, these balances represent a starting point from which to identify the amount that could actually be used to offset EE's budget.

PROBLEMS WITH UNCOSTED OBLIGATIONS  
AND EE'S EFFORT TO ADDRESS THEM

In an effort to reduce uncosted obligations, EE formed a task force that provided high-level policy guidance in 1997. Uncosted obligations have arisen in EE because a complex series of events, beginning with congressional authorization of funds and ending with the final entry of payments into FIS, must occur in sequence for funds to be officially costed in a fiscal year. A problem at any point may prevent this costing in the same fiscal year that the funds were authorized and lead to uncosted obligations. Among the problems cited by program officials were delays that were the result of difficult negotiations over cost-sharing between EE programs and private-sector contractors. EE officials also cited delays of 6 months or more in billing by contractors, which prevented the data from being entered in FIS and, thus, "costing" the obligation. EE's new guidelines included, among other measures, the earlier issuance of solicitations and the earlier obligation of funds.

FIS' WEAKNESSES AS A FINANCIAL MANAGEMENT  
SYSTEM AND DOE'S EFFORTS TO ADDRESS THEM

According to DOE's Chief Financial Office (CFO) officials and program managers, FIS has weaknesses as a financial management system. A financial management system would enable program managers to track the progress of their projects and associated expenditures closely. However, FIS is not integrated into program activities and provides data that are difficult for program managers to access. To correct these problems, CFO officials are developing the Executive Information System and the Data Warehouse, both of which are meant to be user-friendly and to improve access to information on financial management for program managers. CFO officials expect these initiatives to be in use by mid-1998, but it is too early to tell what the results of these efforts will be.

LIMITED ROLE OF R&D  
IN WEATHERIZATION ASSISTANCE

The total budget associated with R&D in Weatherization Assistance, known as Weatherization Program Support, amounts to slightly less than \$2 million in

fiscal year 1998. Of that amount, only about \$510,000 is directly linked with R&D activity, according to a program official. The other funds are used in various support activities, such as attendance at technical conferences and report-related work. About seven "full-time equivalent" employees are involved in Weatherization Program Support.

### AGENCY COMMENTS

We provided a copy of enclosure I to DOE officials, including the Deputy Assistant Secretary for Transportation Technologies, and met with them to obtain DOE's comments. DOE provided additional clarification and technical detail on a number of specific points. Where appropriate, we either incorporated DOE's comments directly or included them as technical detail. The comments incorporated in enclosure I include all of DOE's major points.

Although we discussed "potentially available balances" only briefly in this report, another report<sup>6</sup> provided a detailed discussion and responded to DOE's comments on this issue. Among its concerns, DOE stated that the report "can be read to infer that the totals identified in the report could be used to offset" DOE's fiscal year 1999 request. In our response, we noted that that report's characterization of potentially available balances is consistent with prior reports on this subject going back to 1996. The report clearly states that "these balances represent a starting point from which to identify the amount that could actually be used" subject to further justification by DOE.

### SCOPE AND METHODOLOGY

In our review of EE's budget request, we examined the justifications for eight programs and activities representing new starts or requesting significant funding increases, including five in Energy Conservation and three in Solar and Renewable Energy. In our review of financial management issues, we focused on the funds identified by EE that it used to reduce its budget request and developed additional information on potentially available funds at the end of fiscal year 1998 that might also be used to reduce the request.<sup>7</sup> We also focused

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<sup>6</sup>Department of Energy: Status of Fiscal Year 1999 Carryover Balances for Selected DOE Programs (GAO/RCED-98-162R, May 8, 1998.)

<sup>7</sup>To develop the minimum level of carryover balances needed to meet program requirements, we adopted goals based on an approach first developed by DOE's Environmental Management program of 1 month's carryover balance (or 8 percent) for operating funds and 6 months' carryover balance (or 50 percent)

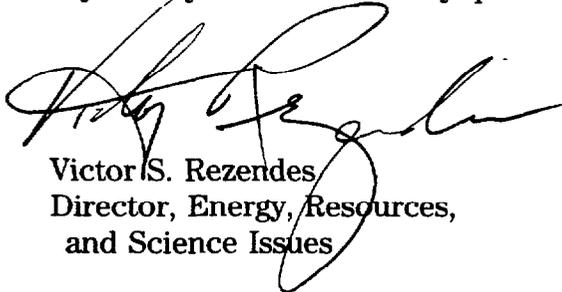
B-279941

on programs with high levels of uncosted obligations, as shown in FIS, and on problems in FIS itself as well as DOE's efforts to overcome them. At the request of one of your offices, we further reviewed the extent of R&D activities in EE's Weatherization Assistance program and provided additional details about funds potentially available for reducing the fiscal year 1999 budget request in various EE programs. We met with officials from the CFO and EE's budget office. We also met with program officials on the Energy Conservation and Solar and Renewable Energy sides of EE.

We performed this work from October 1997 through April 1998 in accordance with generally accepted government auditing standards. We did not verify the information contained in FIS that we used to analyze the carryover balances.

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We will send copies of this report to the appropriate congressional committees and the Secretary of Energy. We will also make copies available to others upon request. Major contributors to this report included Brad Hathaway, Dennis Carroll, Kathy Hale, and Anne McCaffrey. Please contact me on (202) 512-3841 if you or your staff have any questions.



Victor S. Rezendes  
Director, Energy, Resources,  
and Science Issues

Enclosure

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for capital equipment funds. However, in fiscal year 1998, operating and capital equipment activities are no longer funded as separate categories. To account for this change, we calculated a new target percentage (12 percent) for calculating carryover balances that would equal the same carryover balance levels as those calculated under the dual-percentage method of prior years. Recognizing that the split between operating and capital equipment funds could vary somewhat from year to year, we also calculated the carryover balance goals at a 15-percent level.

List of Requesters

The Honorable Slade Gorton  
Chairman, Subcommittee on Interior  
and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Joseph M. McDade  
Chairman, Subcommittee on Energy  
and Water Development  
Committee on Appropriations  
House of Representatives

The Honorable Ralph Regula  
Chairman, Subcommittee on Interior  
and Related Agencies  
Committee on Appropriations  
House of Representatives

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GAO Energy, Resources, and  
Science Issue Area

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**DEPARTMENT OF ENERGY'S (DOE)  
FISCAL YEAR 1999 BUDGET  
REQUEST FOR ENERGY EFFICIENCY  
AND RENEWABLE ENERGY (EE) AND  
FINANCIAL MANAGEMENT ISSUES**

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**GAO Objectives**

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- Identify programs and activities in EE's FY99 budget request whose significant increases raise questions because their justifications were unclear or inadequate.
  - Identify funds that may be used to reduce the FY99 budget request.
  - Identify EE's efforts to reduce uncOSTed obligations.
  - Identify problems in DOE's Financial Information System (FIS) and DOE's efforts to address them.
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## GAO Scope

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- GAO focused on individual EE programs and activities that represent new starts or are requesting significant funding increases, including five in Energy Conservation and three in Solar & Renewable Energy.
  - GAO also reviewed programs with high levels of uncosted obligations as shown in the Financial Information System (FIS).
  - GAO met with officials in DOE's Chief Financial Office (CFO) and EE's budget office and with program officials.
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**GAO** Scope, Continued

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- GAO obtained comments from DOE and incorporated them where appropriate into the report.

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**GAO Summary**

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- EE's FY99 budget request contains eight programs and activities whose justifications for new starts or significant increases raise questions because they were unclear or inadequate.
  - EE identified \$17 million from prior years' funds to reduce its FY99 request. It also commented on the difficulties in identifying any further funds. GAO identified between \$264 million and \$286 million as potentially available.
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**GAO** Summary, Continued

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- Many factors can contribute to increasing uncosted obligations. EE has taken several steps to reduce its uncosted obligations.
  - DOE's FIS has strengths as an accounting system but shortcomings as a financial management system that DOE recognizes and is taking steps to remedy.
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**GAO Individual Programs and Activities**

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- Justifications for eight programs and activities in EE's FY99 budget request raise questions.
  - General observations on DOE's justifications:
    - Lack of prioritization,
    - Repetition of proposed funding levels and justifications from one year to the next, and
    - Highly technical detail in some cases and inadequate information in others.
  - DOE's comment: The budget request represents the President's priorities.
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**GAO Individual Programs and Activities,  
Continued**


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Dollars in thousands

<b>Program/activity</b>	<b>FY98 request</b>	<b>FY98 appropriations</b>	<b>FY99 request</b>	<b>FY99 budget request increase</b>
Climate Change Gases (new start)	\$0	\$0	\$19,000	\$19,000
Technology Road Maps and Competitive R&D (new start)	\$0	\$0	\$8,000	\$8,000
Weatherization Assistance	\$154,100	\$124,845	\$154,100	\$29,255
Transportation Technologies, selected increases	\$46,160	\$42,360	\$100,846	\$58,486
Federal Energy Management Program (FEMP)	\$31,100	\$19,800	\$33,868	\$14,068

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## GAO Individual Programs and Activities, Continued

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Dollars in thousands

Program/activity	FY98 request	FY98 appropriations	FY99 request	FY99 budget request increase
Biopower/Biofuels	\$76,540	\$58,840	\$89,791	\$30,951
Solar Program Support (new start)	\$0	\$0	\$10,000	\$10,000
International Solar Energy Program	\$7,000	\$1,375	\$8,800	\$7,425

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GAO Individual Programs and Activities,  
Continued

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- New activity on Climate Change Gases in the industrial sector (**\$19 million**):
    - The new research activity involving about 40 new technologies may duplicate existing activities within the Industries of the Future program, which is currently funded at \$102 million.
    - The budget request emphasizes industries that have already developed industrywide visions and plans.
    - Selection criteria for awards also appear to give a significant advantage to the currently funded industries.
    - The new activity is premised on congressional approval of the Climate Change Technology Initiative that has not yet occurred.
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**GAO Individual Programs and Activities,  
Continued**

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- DOE's comments: The new activity will not duplicate the existing program because it will involve new technologies, and the Department has broad authorization to initiate this activity.
  - GAO's response: While the activity may involve new technologies, we remain concerned that awards may go to the same industries already receiving \$102 million. Despite DOE's claim of broad authorization, it has delayed the issuance of a solicitation for the new activity pending congressional approval.
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**GAO Individual Programs and Activities,  
Continued**

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- **New activity on Technology Road Maps and Competitive R&D in the building sector (\$8 million):**
    - This activity results from EE's strategic plan for its building sector (the Office of Building Technology, State and Community Programs).
    - About \$1 million will be needed for planning the effort; about \$7 million will be used for cost-shared competitive solicitations.
    - According to a DOE official, the road maps (plans) will enable EE's building sector to realign and consolidate its FY2000 budget request with fewer line items.
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**GAO** Individual Programs and Activities,  
Continued

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- However, despite the expected improvements in programmatic efficiency, the effort will not result in EE's reducing the amount of money it requests for its building sector. In Design Strategies, for example, four items are now consolidated, but the new request asks for increased funding.
  - The availability of performance measures for the program is uncertain. The budget request states that such measures will be developed in concert with industry partners as road maps are designed. A program official says such measures are already available.
  - A program official stated that EE is likely to request more money for the program in FY2000 but did not know how much.
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GAO Individual Programs and Activities,  
Continued

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- Weatherization Assistance Program increase (**\$29 million**):
    - All but \$4 million of the requested \$33 million increase for FY98 was denied. EE's FY99 request essentially duplicates its FY98 request.
    - The program director cited an administration pledge to return the program eventually to FY95 funding levels (\$214 million) as one reason for the proposed increase.
    - Oak Ridge National Laboratory's "Progress Report of the National Weatherization Assistance Program" suggests targeting the neediest 2.1 million households. The program director stated that the states design their own programs and did not perceive a federal role in this regard.
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**GAO Individual Programs and Activities,  
Continued**

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- **Transportation Technologies increase (two items)**
    - **Advanced Automotive Technologies (\$37 million):**
      - The budget request includes large increases for fuel cell R&D and advanced combustion engine R&D as well as \$6 million for the Cooperative Automotive Research for Advanced Technologies (CARAT) program.
      - The CARAT program appears to be very similar to the Small Business Innovation Research and the Small Business Technology Transfer programs. Like them, it emphasizes small business and university R&D and features a three-phase program to move innovative R&D concepts to commercialization.
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**GAO Individual Programs and Activities,  
Continued**

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- Highly technical detail and repetition from year to year of planned activities make it difficult to understand progress to date and how the additional funds will build on, but not duplicate, prior work.
  - For example, in the FY98 performance summary for fuel cell R&D, DOE planned to "coordinate with system development efforts to facilitate integration of the fuel processor into the total system." The language is repeated verbatim in FY99. In another case, the same language is used in FY97 and FY98: "Continue optical access measurement and numerical modeling of fluid flow and chemistry. . . ." Very similar language is used to describe the planned continuation of this research in FY99.
  - DOE officials expect that funding requirements for advanced automotive technologies R&D will amount to about \$1.7 billion between FY99 and FY2008.
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**GAO Individual Programs and Activities,  
Continued**

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- **Advanced Heavy Vehicle Technologies increase (\$21 million):**
    - The budget request includes an \$11 million increase for an ongoing program focused on diesel engine R&D in light trucks and \$10 million for a program transferred from the Defense Advanced Research Projects Agency (DARPA) for medium-duty and heavy trucks and buses.
    - The increases are explained briefly in engineering terms that do not make clear the reasons for the specific amounts requested.
    - A DOE program official informed us that the goal of the program focused on light trucks is to make diesel engines an acceptable option in light trucks (pickups and sport utility vehicles) and to improve fuel economy by 35 percent.
    - A DOE program official told us that the goal of the program for medium-duty trucks and buses is to improve the fuel economy of these vehicles by at least 50 percent and reduce emissions levels to 30 percent below Environmental Protection Agency standards.
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**GAO Individual Programs and Activities,  
Continued**

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- Both programs will involve cost-shared agreements of 50 percent or better with industry or state and local governments.
  - DOE officials expect that funding requirements for these two programs will amount to about \$259 million between FY99 and FY2004.
  - DOE's comments: The \$11 million for light trucks puts the program back on schedule. Last year's add-on was not enough to fully fund three industry teams consisting of diesel engine manufacturers and light truck manufacturers. The \$10 million for the program being transferred from DARPA is consistent with the funding DARPA has provided during the last 6 years.
  - GAO's response: These DOE comments provide useful background information on the reasons for the requested increases. More information may be needed to justify fully the specific amounts requested.
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GAO Individual Programs and Activities,  
Continued

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- **Federal Energy Management Program (FEMP) increase (\$14 million):**
  - The budget request does not fully explain the need for the additional funds.
  - The program manager stated that these funds will be spent almost entirely on temporary hires and travel related to large Energy Savings Performance Contracts and small technical contracts.
  - To arrive at the \$14 million, FEMP analyzed how many additional delivery orders are anticipated as a result of the new contracts and the need for advisers to resolve legal and technical problems in the contracts, but these calculations are not mentioned in the budget request.
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**GAO Individual Programs and Activities,  
Continued**

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- One architectural and engineering contract will account for \$3 million to \$5 million of the \$14 million proposed increase.
  - In terms of reimbursements, FEMP expects to receive \$300,000 in FY98 and \$2 million in FY99. The reimbursements will be used to support Energy Policy Act and executive order activities. The budget request does not indicate how reimbursements have been or will be used to reduce future requests.
  - FEMP will take about 5 percent of the net federal savings that it helps deliver to each specific site or facility. It forecasts a range of \$10 million to \$25 million in annual reimbursements eventually.
  - DOE's comment: FEMP recognized the need to clarify its budget request and has developed additional details.
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**GAO Individual Programs and Activities,  
Continued**

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- GAO's response: FEMP officials have provided additional information, but FEMP's justification for its requested \$14 million increase remains unclear. It does not clarify, for example, the extent to which FEMP will expend funds for temporary hires, although the program manager told us that funds would be used for this purpose.

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GAO Individual Programs and Activities,  
Continued

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- **Biopower/Biofuels increase (\$31 million):**
    - In FY98, DOE asked for about a \$21 million increase over FY97. Three areas--systems development, ethanol production, and feedstock production--accounted for almost all of this increase. The Congress cut over \$17 million from the requested increase for these three areas for FY98.
    - The same three areas account for almost all of the increase requested in the FY99 budget.
    - The budget request does not explain how one activity that received no funding in FY97 or FY98--the Co-firing Biomass With Coal Initiative--will be able to spend \$9.3 million in FY99.
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GAO Individual Programs and Activities,  
Continued

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- **Solar Program Support (new activity) (\$10 million):**
    - This program, featuring an open, competitive R&D solicitation, has not yet been designed. Undecided issues include
      - the level of copayment;
      - the role, if any, of states; and
      - the type of funding (cooperative agreements, grants, etc.).
    - Officials are currently addressing these issues. A team has been assembled.
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**GAO** Individual Programs and Activities,  
Continued

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- The budget request asserts that federal funds of \$10 million per year would leverage further investments of up to \$30 million. The program manager said this level would be expected if states are included in the program. Otherwise, the copayment will probably be lower, perhaps 50 percent.
  - The lack of program design at this point may explain the vagueness or irrelevance of the performance measures--for example, "FY 1999 appropriations will give the flexibility to award these funds according to the merits of the proposals."
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GAO Individual Programs and Activities,  
Continued

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- **International Solar Energy Program increase (\$7 million):**
    - The Congress has provided little funding for this program in the recent past. Although EE asked for \$7 million in FY98, nothing was appropriated for the Committee on Renewable Energy Commerce and Trade or the Americas 21st Century Program; the U.S. Initiative on Joint Implementation received less than \$1.4 million.
    - EE's FY99 budget request generally resembles its FY98 request with the proposed increases for these three programs.
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**GAO** Individual Programs and Activities,  
Continued

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- The budget request and the program manager stressed the overseas solar market potential (over \$1 billion in Latin America alone) and the need for federal aid to small renewable energy companies in penetrating these markets.
  - The program manager said that the reluctance of companies to provide proprietary data makes it difficult to link the proposed funding request with specific increases in sales.
  - The program manager said that the U.S. Initiative on Joint Implementation does not belong with the other two programs in the same line item because it is an entirely different program.
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## GAO Funds for Reducing the FY99 Budget Request

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- EE officials stated that they used prior-year balances to reduce the FY99 budget request for both sides of EE. However, the FY99 budget request identifies a specific amount (\$17 million) only for the Solar & Renewable Energy side. EE identified \$0 for the Energy Conservation side.
  - GAO conducted its annual effort to estimate potentially available carryover balances for operating funds at the beginning of FY99. We used target carryover percentages of 12 percent and 15 percent.
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**GAO Funds for Reducing the FY99 Budget Request**

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FY1998 beginning carryover balance

+ FY1998 new obligational authority

- FY1998 projected costs

Projected FY1999 beginning balance

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**GAO Funds for Reducing the FY99 Budget Request, Continued**

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Dollars in millions

<b>DOE program: Subcommittee</b>	<b>FY98 beginning balance</b>	<b>FY99 projected beginning balance</b>	<b>FY99 carryover goal at 12% and 15%</b>	<b>Potentially available balance</b>
Energy Conservation: Interior	\$274	\$265	\$55-\$69	\$209 -\$195
Solar & Renewable Energy: Energy and Water Development	\$171	\$110	\$33-\$41	\$77-\$69

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## GAO Funds for Reducing the FY99 Budget Request, Continued

Dollars in millions

DOE program	FY98 beginning balance	FY99 projected beginning balance	FY99 carryover goal at 12% and 15%	Potentially available balance
<b>Energy Conservation</b>				
Building Sector	\$63	\$64	\$9-\$12	\$55-\$59
Industry Sector	\$76	\$83	\$17-\$21	\$66-\$69
Transportation Sector	\$114	\$101	\$23-\$29	\$78-\$79
FEMP	\$12	\$7	\$2-\$3	\$4-\$5
Policy & Mgmt./Other	\$9	\$10	\$4-\$4	\$6-\$6
<b>Total</b>	<b>\$274</b>	<b>\$265</b>	<b>\$55-\$69</b>	<b>\$209-\$199</b>

## GAO Funds for Reducing the FY99 Budget Request, Continued

Dollars in millions

DOE program	FY98 beginning balance	FY99 projected beginning balance	FY99 carryover goal at 12% and 15%	Potentially available balance
<b>Solar and Renewable Energy (selected activities)</b>				
Solar Thermal	\$8	\$6	\$2-\$2	\$4-\$4
Biopower	\$17	\$9	\$3-\$4	\$5-\$5
Biofuels	\$14	\$12	\$3-\$4	\$8-\$7
Wind Energy Systems	\$35	\$18	\$3-\$4	\$14-\$13
Solar Tech. Transfer	\$17	\$9	0	\$9-\$9
Geothermal	\$24	\$17	\$3-\$4	\$14-\$13
Renewable Indian Energy Research	\$6	\$6	0	\$6-\$6
Elec. Energy Sys.	\$23	\$14	\$5-\$6	\$9-\$8

We included only activities with potentially available balances greater than \$4 million. Other activities had smaller potentially available balances or even negative balances. For example, Program Direction's balance ranged from minus \$1.3 million to minus \$1.8 million.

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**GAO** Funds for Reducing the FY99 Budget Request, Continued

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- Construction is a frequent source of uncosted obligations in several DOE programs but accounts for less than 1 percent of EE's budget. This factor contributed to EE's difficulty in identifying more than \$17 million to reduce its FY99 budget request.
  - Additional reasons program and CFO officials cited for EE's difficulty included the following:
    - The general reduction in uncosted obligations.
    - A 2-year effort to identify funds for deobligation led to finding only one contract with \$600,000 in remaining funds that could be deobligated.
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**GAO** Funds for Reducing the FY99 Budget Request, Continued

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- EE budget officials experienced problems in determining specific reasons for FY97 deobligations and noted the inconclusive results of their efforts.
- Funds are deobligated for many reasons but almost never to reduce future budget requests. In general, it is very difficult to link uncosted obligations with reductions of budget requests.

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**GAO** Reducing Uncosted Obligations

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- A complex series of events must occur in sequence for funds to be officially costed. A problem at any point may prevent this timely costing and lead to uncosted obligations.
  - EE has taken several steps to reduce uncosted obligations:
    - Task force review/high-level policy guidance.
    - Earlier obligation of funds and plans to issue solicitations earlier.
    - Communications by program managers with the field.
    - Establishment of performance goals for reducing uncosted obligations.
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**GAO** Reducing Uncosted Obligations,  
Continued

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- In addition, program managers have developed their own financial management information approaches to, among other things, track uncosted obligations independent of FIS.

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**GAO** FIS' Problems and DOE's Efforts to Correct Them

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- According to CFO officials, FIS can effectively answer almost any accounting question.
  - According to CFO officials and program managers, FIS is less effective as a financial management system because it is not integrated into program activities and provides data that are difficult for program managers to access.
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**GAO** FIS' Problems and DOE's Efforts to Correct Them, Continued

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- CFO officials are developing the Executive Information System and the Data Warehouse. They are meant to be user-friendly and to promote desktop financial management. CFO officials expect these initiatives to be in use by mid-1998.
- It is too early to tell the results of these efforts.



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