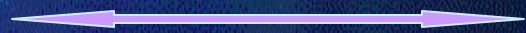




Department of Energy

**FIVE-YEAR
WORKFORCE
RESTRUCTURING
PLAN**



September 2001

EXECUTIVE SUMMARY

The Department of Energy (DOE) has formulated a comprehensive 5-Year Workforce Restructuring Plan in response to the Office of Management and Budget (OMB) Bulletin 01-07, *Workforce Planning and Restructuring*, dated May 8, 2001. The DOE Plan was developed in the context of the FY 2003 budget request and annual performance plan and reflects additional guidance provided by OMB officials.

The Department's fundamental goal is to improve mission delivery by fostering accountability, reducing unnecessary layers of management, streamlining operations and decision-making, moving resources to front line activities, modernizing core business practices, expanding e-government, transferring additional work to the private sector, and improving internal and external communication. Day-to-day efforts will constantly be aimed toward achieving intended results on time and within budget.

This Plan builds upon prior and current DOE-wide initiatives and identifies concrete near-term workforce reshaping efforts, mid-term organization redesign initiatives and longer-term culture and process changes to achieve the Department's "work smart" objectives. It incorporates actions developed by individual organizational elements and a corporate-level management reform program linked to the President's Management Reform Agenda. As part of this overall effort, DOE will develop specific corporate reform goals in FY 2002 (i.e., reduce the number of managers, organizational layers, and the time needed to make decisions; increase span of control; and redirect positions to the front lines) that will be discussed further with OMB and reflected as targets in DOE's FY 2004 budget submission. It is anticipated that these reform targets will derive cost savings and certain staffing adjustments that will follow through the close of FY 2007, and, perhaps, beyond.

As a sign of the Department's commitment to realize the President's vision that government be citizen-centered, results-oriented, and market-driven, DOE has already implemented - within the first-six months of the new Administration - an organizational realignment to stimulate efficiency, enhance programmatic effectiveness, and improve service delivery. Additionally, the Deputy Secretary, DOE's Chief Operating Officer and representative to the President's Management Council, recently announced key initiatives designed to improve linkage between the Department's critical mission requirements and program planning and performance review processes. These include:

- Revising the SES performance management system to provide direct and clear linkages between key mission/program goals and executives' performance objectives with a results-oriented process for measuring achievement.
- Instituting Operational Program Reviews and regularly scheduled Leadership Meetings of the core leadership team to improve overall business management.

While a significant number of specific actions will be undertaken during Fiscal Year 2002, as reflected in this Plan, several DOE Elements will be conducting comprehensive studies to identify additional opportunities for improving operations, better utilizing human capital, eliminating bureaucracy, and saving resources. On a Department-wide scale, aside from establishing reduction goals, the agency will review various corporate-level practices to enhance and expedite decision-making, and align resources where they will be most effective.

In Fiscal Year 2003, DOE will be on its way toward implementing the vast majority of actions identified in this Plan. Recognizing that government reform is an ongoing process, this Plan will continue to be a work-in-progress in FY 2004 and the out years. It is highly anticipated that additional action items will surface each and every year and that these results-oriented objectives will be incorporated as key milestones in the Department's annual integrated budget and performance documents.

In sum, the DOE's 5-Year Workforce Restructuring Plan and associated efforts will aid the Department in meeting its mission requirements with less bureaucracy and with a greater emphasis toward achieving meaningful National Security, Energy Resources, Environmental, and Scientific results.

**DEPARTMENT OF ENERGY
5-YEAR WORKFORCE RESTRUCTURING PLAN
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SECTION 1

INTRODUCTION

The Office of Management and Budget (OMB) Bulletin 01-07, *Workforce Planning and Restructuring*, dated May 8, 2001, provided instructions for implementing the President's initiative to have agencies restructure their workforces and streamline their organizations. The first requirement of the Bulletin was to develop and submit a workforce analysis to OMB in early Summer 2001. The second requirement, which is accomplished in this report, is to develop an agency-specific workforce restructuring plan in the context of the FY 2003 budget request and annual performance plan.

The Workforce Analysis submitted to OMB described several potential workforce challenges for the Department of Energy (DOE) which need to be addressed as part of the Department's Federal workforce restructuring efforts:

- The average DOE Federal employee is 48 years of age, with a mode age of 50-55. Only 9 percent of the workforce is under the age of 35 (6 percent in the technical workforce). The high average age combined with a very low number of younger employees leads to concerns about succession planning, and the infusion of new ideas and sustaining technical capabilities.
- The largest number of permanent employees is at the GS-13 grade level, with a skew toward higher grade levels because of the highly-trained technical and professional nature of DOE missions. Higher grades are also a result of limited hiring for several years where the few available hiring opportunities were used for critical capabilities, resulting in hiring at more senior levels to ensure that new employees could "hit the ground running." As with age, the grade ranges indicate limited entry-level hiring.
- In FY 2001, 13 percent of the current DOE workforce is eligible to retire. This will increase to 32 percent by FY 2005. It is projected that about one third of the Federal employees now on-board at the Department will retire by FY 2007.
- Opportunities to rebuild and restructure the workforce have been limited by low attrition rates for the Department and by limited hiring opportunities due to resource constraints. Attrition dropped from a high of 10.2 percent in FY 1997 to 7.0 percent in FY 2001.

This DOE 5-Year Restructuring Plan (Plan) is being submitted concurrently with the FY 2003 OMB Budget Request. The budget request generally reflects reductions in program direction, but the programs have not yet fully determined how these reductions will be applied and the full range of workforce restructuring initiatives that will be undertaken as a result of these reduced funding levels.

PURPOSE

The goal of this Plan is to provide a roadmap for restructuring the DOE workforce over the next five years and beyond to achieve substantial improvements in effectiveness and efficiency. The Department's core objective is to deliver results to the American taxpayer. The Workforce Analysis information submitted to OMB in July 2001 provided the baseline information for beginning the development of the 5-Year Workforce Restructuring Plan. Where applicable, the 5-Year Plan identifies those initiatives, changes and strategies proposed by DOE to reduce the number of managers, to reduce organizational layers, to reduce the time it takes to make decisions, to increase the span of control, to redirect positions to the "front lines," and other actions to improve efficiency, effectiveness, and/or service delivery. This Plan also provides a corporate focus of the activities being undertaken and anticipated in support of the President's Management Reform Initiatives.

Due to the short time available to prepare this report, and because of the limited guidance available, it is recognized that the Plan is a "work in progress" subject to update and revision in consultation with OMB before the Congressional budget is finalized. During the 5-year implementation of the Plan, changes already made will be reviewed and evaluated each year, with adjustments made as required.

METHODOLOGY

Developing the Plan was a complex undertaking requiring close collaboration with OMB, as well as aggressive coordination across the entire Department. The Deputy Secretary assigned lead for the development of the Plan to the DOE Office of Management, Budget and Evaluation (OMBE). That Office established a DOE 5-Year Workforce Restructuring Task Force with personnel having a combination of skills and knowledges not available in any one OMBE organization. Under the leadership of the Director of Human Resources Policy and Planning, the team included representation from the Office of Budget, Office of Strategic Planning and Program Evaluation, Office of Human Resources Management, and the Office of Management and Operations Support. In addition, Program Secretarial Officers (PSO) assigned a senior staff member as point-of-contact and advisor to the Task Force.

Team procedures included soliciting input from DOE organizations (and outside DOE as appropriate), reviewing previous management evaluations, developing restructuring options, and establishing protocols for integrating the Plan with the budget, performance plans, strategic plan, and major management reform activities. The Task Force catalogued management efficiency actions already planned or taken for FY 2001 and FY 2002, and identified restructuring opportunities for FY 2003-2007.

The Task Force reviewed numerous documents, including internal and external studies of DOE operations, organizations, and decision-making processes, in its effort to identify targets of opportunity

and to develop this Plan. Each PSO also provided information critical to the development of the Plan. This information included key initiatives undertaken in their organizations through FY 2002, and proposed for FY 2003-FY 2007, to reduce the number of managers, reduce the number of organization layers, reduce decision-making time, increase the span of control, redirect positions to front lines, and to address other key workforce challenges. The Plan also seeks to be responsive to anticipated Congressional direction that DOE prepare an overall staffing plan that implements organizational and management efficiencies throughout the Department and that could lead to a reduction in overall staffing during FY 2003.

OMB Bulletin 01-07 provided fundamental direction for the Task Force. To supplement this guidance, the Task Force met with OMB officials to get specific direction on format and issues to be included in the Report. At the request of OMB, significant emphasis was also placed on the President's Management Reform Agenda. Five elements of the Agenda are very specifically related to the Workforce Restructuring Plan. These elements are:

- T Strategic Management of Human Capital
- T Competitive Sourcing
- T Improve Financial Performance
- T Expanding Electronic Government,
- T Budget and Performance Integration

Appropriate DOE organizations were tasked with preparing issue papers for each of these elements. In addition, based on discussion with OMB, issue papers were also developed on Project Management and Contract Management. The information from these issue papers is included in the Plan.

PLAN DEVELOPMENT STRATEGY

As documented in other sections of this Plan, workforce restructuring in the DOE began prior to the requirements of OMB Bulletin 01-07. This Plan is an extension of the Department's initiatives to streamline and move more resources toward accomplishing the DOE mission, while at the same time modernizing business practices, improving communications, and streamlining decision-making.

Under the involved leadership of Secretary Abraham and Deputy Secretary Blake, the Department's FY 2003 Budget Request proposes bold programmatic objectives and does so, within budget constraints, by advancing aggressive management reforms and program adjustments using available workforce restructuring tools. Many of these reforms are in direct support of the President's Management Reform Initiatives. This Workforce Restructuring Plan recognizes that the President's government-wide goals, especially Workforce Restructuring as a part of Competitive Sourcing and Strategic Human Capital Management, are mutually reinforcing. Accordingly, it emphasizes FY 2003 corporate actions in support of the President's Initiatives, recognizing that the Department's component organizations will need time in FY 2002 to develop more specific restructuring plans that will drive additional organizational changes, cost or savings estimates, and budget linkage.

While first-year time limitations must be recognized and appreciated, it is fully intended that out-year plans will reflect additional studies and other initiatives undertaken during this initial period. Revised plans will be much more detailed and specific on a year-by-year basis and will be transparently integrated into the FY 2004 and later budgets and performance plans.

GUIDING PRINCIPLES

In implementing our strategy, DOE will be guided by the following principles:

- T** Despite prior progress made to enhance management efficiency and effectiveness, and despite serious downsizing, there are still significant opportunities to improve.
- T** Progress toward additional improvements over the next five years will include a mix of Department-wide initiatives and organization-specific actions.
- T** Improvements do not automatically mean budget or staffing reductions, especially when increases can lead to measurable improvements in productivity or other management efficiencies.
- T** Workforce Restructuring initiatives are tools to facilitate management efficiencies and/or effectiveness, not an end in and of themselves.
- T** The Department is committed to provide tools and training to optimize opportunities for restructuring.
- T** Additional workforce management tools, such as those proposed recently by the President, will facilitate the Department's ability to meet management reform objectives.

SECTION 2

BACKGROUND: DOE YESTERDAY AND TODAY

The U.S. Department of Energy's roots began with the development of the atomic bomb during the Second World War. In 1946, Congress created the Atomic Energy Commission (AEC) to direct the design, development, and production of nuclear weapons, and the development and regulation of the burgeoning nuclear power industry. In 1974, Congress replaced the AEC with the Nuclear Regulatory Commission and the Energy Research and Development Administration.

In late 1977, Congress created the DOE as the 12th Cabinet-agency in an effort to bring together most of the government's energy programs and defense responsibilities under one umbrella organization. Management of the federal energy policy and program activities, power marketing administrations, and the nation's nuclear weapons production facilities became key missions for the Department.

Today, DOE enhances America's national security by ensuring the safety, reliability, and performance of our nuclear weapons; promotes diversity in the development and use of energy resources and the conservation of fuel supplies; utilizes Nobel prize winning laboratories and other research facilities to advance the frontiers of scientific and technical exploration; serves as a central repository for energy statistics; improves environmental quality and restores sites no longer used by the Energy Department; and markets federal power.

Strategic Functions

To manage the diversity in programmatic areas, DOE has organized into four business lines and a corporate management area through the Department's Strategic Plan and has implemented a management model to accomplish goals and objectives:

Energy Resources: DOE's energy development and conservation portfolio is designed to increase the production and utilization of the Nation's fossil, nuclear, and alternative energy sources through coordinated planning, technology research and development, and technology transfer initiatives. The Department also oversees the U.S. Strategic Petroleum Reserves and the Naval Petroleum and Oil Shale Reserves.

National Nuclear Security: The Department's National Nuclear Security Administration (NNSA) ensures the provision of safe and effective nuclear propulsion systems to the U.S. Navy, provides stewardship over the Nation's nuclear stockpile, promotes nuclear safety and nonproliferation within the international community, eliminates domestic and international inventories of surplus fissile materials, and utilizes assets to respond to nuclear incidents.

Environmental Quality: DOE's environmental quality mission strives to assess and manage the cleanup of inactive agency sites and facilities in compliance with federal and state legal and regulatory requirements and to develop disposal technologies and practices that are safe and cost effective. The

Department's Civilian Radioactive Waste Management program manages the evaluation, development, and operation of both an interim and permanent geologic repository for civilian radioactive waste.

Science and Technology: The Science program champions basic and applied research and development activities, serves as a base for U.S. technology innovation, advises the Secretary on science and technology initiatives, and manages DOE's non-defense multi-program laboratories.

Corporate Management: A number of key offices support the agency in accomplishing its mission. These organizations provide advice and assistance in promoting the efficiency and effectiveness of the Department, the development and implementation of policy, legal affairs, congressional and intergovernmental relations, public affairs, intelligence and counterintelligence, safety, security, budget and financial management, community transition support, energy information, procurement, and administration and personnel management.

Management Model

The principal officers of the Department - the Secretary of Energy, the Deputy Secretary, the Under Secretary for Energy, Science and Environment and the Under Secretary for Nuclear Security/Administrator of the National Nuclear Security Administration - provide direction and control over DOE programs and activities. In his role as DOE's Chief Operating Officer, the Deputy Secretary oversees day-to-day operations of the Department, including a broad range of corporate management initiatives and reform activities.

The Department's organizational philosophy is based on the concept of centralized policy development, program planning, and administrative management and support at Headquarters, with decentralized program implementation and project management at various field organizational elements. Accomplishment of basic mission work is generally through contractors at various field locations. Generally, headquarters organizations provide elements of the Department with management direction and broad policy overview, oversight, planning and budgeting, resource allocation, and maintenance of relations with the Congress, other Federal agencies, and the public.

The current Departmental management structure includes 9 major headquarters program offices, 14 headquarters support offices, and a field structure with 8 operations offices, 2 field/area offices, 6 special purpose offices, numerous site/project offices, and 4 Power Marketing Administrations. The Department's organizational paradigm is designed to accomplish multiple missions at various locations scattered across the Nation while maintaining clear lines of accountability and responsibility.

Program Secretarial Officers are ultimately accountable to the Secretary and Deputy Secretary, either directly or through the two Departmental Under Secretaries, for all aspects of the planning and execution of their programs conducted both at Headquarters and the field. To ensure clear accountability and responsibility for all activities, each Departmental field element and contractor site reports to a specific Lead Program Secretarial Officer (LPSO) who has line management responsibility

for managing field activities regardless of the range of programmatic work being performed at that site. LPSOs are responsible for coordinating and resolving institutional, administrative management (including budget and staffing), and crosscutting issues with other PSOs in the Department. While they report to a specified LPSO, the Managers of Field Offices are accountable to all PSOs that have programs being accomplished through their field office. Programmatic goals and objectives established by the respective PSOs are documented in Memoranda of Agreement between the responsible parties.

The Department uses a Directives System to establish and communicate internal cross-organizational operating policies and procedures. A formal process is used to coordinate the review of proposed policies prior to their approval and implementation throughout the DOE complex. In addition, a complex-wide management review process has been developed to collect comments and recommendations on proposed policies and requests for data prior to their implementation.

In order to facilitate communication and coordination across the DOE complex, all program and most major staff offices have a Chief Operating Officer (COO), who champions the implementation of crosscutting management and policy initiatives. A Departmental COO Council meets regularly to discuss issues of mutual interest. COOs also serve as the primary Headquarters contact point – a one-stop shop – for interactions with those field offices or sites within their organization’s purview. Field Managers meetings are also routinely held to foster information sharing and coordinate programmatic activities among Headquarters and Field elements.

The Department accomplishes much of its mission through the use of an extensive network of contractors. DOE contracts run the gamut from the provision of supplies and services to the acquisition of research and development. Management and Operating (M&O) contractors are used for energy research and development, waste management, and defense activities such as stockpile management. Under this form of contracting, for-profit and not-for-profit organizations, including academic institutions, manage DOE’s system of research and development facilities, nuclear weapons laboratories, nuclear weapons production and dismantlement sites, and nuclear waste management site investigations. In FY 1999, there were 26 M&O contracts within DOE, valued at approximately \$11.4 billion.

The Department primarily uses Management and Integration (M&I) contracts for its major environmental clean-up activities. In an M&I arrangement, the contractor has responsibility for management of the infrastructure and the environmental remediation of former defense facilities. In FY 1999, there were 7 of these contracts valued at approximately \$2.3 billion per year. Another 3,400 other contract vehicles, with a total funding level of approximately \$2.2 billion, were employed in FY 1999 to accomplish DOE’s programmatic goals and objectives. Thus, contracting is critical to DOE’s mission accomplishment. In this context, it should be noted that DOE is the most leveraged of the Cabinet Departments, with approximately ten contract staff for every Federal employee (excluding Power Marketing Administrations).

RESOURCES PROFILE

Federal Staffing

During the mid-1990s, the Department underwent a major re-evaluation of its missions, structure and resources. Upon conclusion of this agency-wide review, a goal was established to reduce non-Power Marketing Administration (PMA) staffing levels by 25 percent over a five-year period. In May of 1995, DOE's on board count was 13,640 (excluding the PMAs). By the close of FY 2000, the number of employees on board dropped to 10,027 or an overall reduction of 26 percent. During this same period, the Power Marketing Administrations reduced staffing levels by 11 percent. Much of the decrease was in administrative support areas (budget, human resources, administrative/clerical support, acquisition management, etc.), but there were also significant reductions in scientific and technical staff as well. The actual reductions exceeded the self-imposed targets in all fiscal years, due largely to accelerated budget reductions requiring the use of some reductions-in-force, furloughs, buyouts, early retirements, and severe hiring restrictions. Though the Department attempted to begin rebuilding its technical workforce in FY 1999, budget shortfalls and Congressionally-mandated field staffing level reductions curtailed those efforts, further draining an already depleted skills base.

This downsizing has clearly produced unintended negative impacts. First, because of very limited new hiring actions, the average age of the workforce grew from 45 to 48 (a year and one half higher than the government-wide average). Second, much needed critical skills and corporate knowledge was lost. With impending retirements over the next several years, maintaining technical competence in the Federal workforce will continue to be a challenge for the Department.

Contractor Staffing

Since 1995, the number of prime contractor employees (excluding support service contracts and sub-contractors) fell from 121,861 to approximately 101,147, a reduction of about 17 percent. It should be noted that contractor employment was already on a downward path in 1995 as a result of reduced National Security activities. The contractor staffing levels in FY 1994 were 136,097; thus the FY 1995 number of 121,861 reflected a reduction of over 10 percent from the prior year.

Budget

The Department's funding profile between FY 1995 and FY 1999 experienced a downward trend. As noted above, this contributed significantly to downsizing requirements. In FY 2001, the Department received an appropriation of more than \$20 billion, which was a steep increase of 11 percent or 2 billion dollars above the FY 2000 appropriation. The majority of the FY 2001 increases, \$1.2 billion or 61 percent, was in the Department's defense programs (including Defense Environmental Management as well as the National Security Business lines programs). In FY 2002, the amended request is \$19.2 billion with the conference estimate (midpoint between House and Senate) at \$20.7 billion or \$1.5 billion above the request. The FY 2003 OMB target level is \$19.7 billion.

The Department anticipates a very uncertain budget process in FY 2002 with increasing pressure to reduce federal spending given the slower growth in the economy and reduced estimates for the surplus. The situation becomes even more difficult with the additional requirements placed on the Department, including those contained in the National Energy Plan.

Supervisory Ratios:

In 1995, the Department had an overall supervisor to employee ratio of 1 to 4.2. Currently, DOE's overall ratio stands at 1 to 8.0 as a result of streamlining, delayering, job restructuring, moving employees to the "front lines" and other management practices. The Headquarters ratio is 1 to 7.4 while the Field ratio is 1 to 7.7. The Power Marketing Administrations have aggressively achieved a 1 to 9.5 ratio. The Department has made progress but appreciates that additional delayering will help move resources to the "front line."

RECENT BUSINESS MODEL REFINEMENTS

The Department continues to embark on initiatives that impact Workforce Restructuring to modernize its business management systems, improve communications, reform its planning and budgeting systems, streamline decision-making, and move more resources toward accomplishing our mission.

In a July 26, 2001, memorandum (see Appendix A), Secretary Abraham set into motion changes to the Department's Management Structure by introducing several organizational realignments to enhance Departmental efficiencies and effectiveness. They include the Secretary's vision of managing DOE through a line-driven concept with a flow down of roles, responsibilities and accountabilities throughout the Department. Key alignment activities announced and being implemented include:

Organizational Realignment

- T** The Office of Management and Administration was combined with the Office of the Chief Financial Officer and renamed the Office of Management, Budget and Evaluation. Immediate improvements from this restructuring include elimination of duplicative administrative functions, redeployment of personnel to mission-critical activities, and a flattening of organizational hierarchy to reduce the number of direct reports. Similar efficiencies were attained by combining the former Office of the Assistant Secretary for International Affairs with the Office of Policy to create an integrated Office of the Assistant Secretary for Policy and International Affairs.

- T** In an effort to manage the broad range of computer technology options, ensure cost efficiencies and consistency of applications Department-wide, the Office of the Chief Information Officer now directly reports to the Office of the Secretary.

T Environment, Safety and Health oversight is being incorporated into the Office of Independent Oversight and Performance Assurance and assigned to the Deputy Secretary in his role as the Chief Operating Officer. This merger of oversight activities allows for management efficiencies by eliminating separate reporting mechanisms for the Department on oversight activities as well as provides a more consistent approach in independent oversight.

T The National Nuclear Security Administration has undergone a series of organizational alignments since its creation by Congress in March 2000. In May 2001, an NNSA reorganization proposal was submitted to Congress with an implementation date of October 1, 2001. The Organizational Plan calls for the utilization of both program and support components. The program components – Defense Programs and Defense Nuclear Nonproliferation – will focus on defining and advocating the most effective means of accomplishing the NNSA mission. Two new support components – Facilities and Operations and Management and Administration – will focus on the enabling functions critical to mission success. This restructuring is guided by the following principles established by the Administrator:

- ! Headquarters components have authority and accountability for defining program work through policy, programs, and budget formulation;
- ! Field elements have authority and accountability for overseeing the execution of agreed-upon performance objectives set by program offices;
- ! Authority and accountability for evaluation of contractor performance are shared by program and field organizations and will be coordinated by the Facilities and Operations component;
- ! Decision authority should be located closest to the impact of a decision;
- ! Maximize Federal staffing productivity; and
- ! Encourage resolution of cross-cutting issues through the Management Council and part of NNSA's commitment to teamwork and shared success.

Performance Management:

Two recent efforts have been undertaken to improve performance at the Department. First, the Deputy Secretary launched an Operational Program Review initiative which will focus on the development of measures/metrics by each Program Secretarial Officer (PSO). The Deputy Secretary will periodically meet with each PSO to assess their success in achieving programmatic and management milestones. The Office of Management, Budget and Evaluation will conduct independent assessments to ensure programs remain on schedule, within budget, and deliver intended results (see Appendix B). Second, a new DOE Senior Executive Service performance management system will be implemented on October 1, 2001. A four-tier rating system will focus on achieving desired outcomes, clearly linking key mission/program goals, executive performance objectives, and rewarding results (see Appendix C).

SECTION 3

KEY WORKFORCE RESTRUCTURING INITIATIVES OF INDIVIDUAL DOE ORGANIZATIONS

The DOE 5-Year Workforce Restructuring Plan is a corporate roadmap with actions and initiatives that will affect the entire Department as it moves to restructure the workforce and the way it does business. This section highlights some of the key initiatives that individual Departmental organizations have undertaken or plan to take over the next five years to implement OMB Bulletin 01-07.

The planned actions pursue White House direction that agencies reduce management ranks and management layers, and that Government become more citizen-centered by redistributing higher-level positions to front-line service delivery points. Both at the corporate and organizational levels, DOE is initiating plans to reduce the number of managers, reduce organizational layers, reduce the time it takes to make decisions, increase the span of control, and redeploy positions to service delivery positions that interact with citizens. In FY 2002, the Department will identify specific reform goals (i.e. management reductions, delayering, staffing alignments) that will be reflected as targets in DOE's FY 2004 budget submission. It is anticipated that these reform targets will derive cost savings and certain staffing adjustments that will follow through the close of FY 2007, and perhaps beyond.

There are four general themes common to many DOE organizations:

- A large number of organizations plan to use Early Out and Buyout Authorities to reduce staffing levels, aid in workforce restructuring, and to help streamline and make their organizations more efficient and effective to meet their missions.
- Additional reductions in staffing levels in FY 2003 through FY 2007 may result from declining budgets. This will also stimulate opportunities to reduce the number of managers and organizational layers, improve the span of control and redirect positions to the front lines.
- There are still many uncertainties stemming from the FY 2002 and FY 2003 budget processes.
- The outcome of several DOE-wide studies currently underway will likely foster additional reform efforts in the outyears. For example, one of the studies will benchmark how DOE manages its laboratories, and others will assess how security and safety are managed throughout the Department. The outcomes from these studies will have a direct impact on the staffing of several major DOE organizations as well as organizational design and restructuring opportunities.

Many DOE organizations clearly anticipated the need to reengineer how business is conducted in both headquarters and the field. Among the areas that will be assessed are how grants and contracts are processed, the reporting relationships of the field sites, and the potential for additional outsourcing. Based upon the foregoing, and the FY 2004 budget formulation, most offices should be able to complete revised workforce restructuring plans to be submitted with the FY 2004 budget.

Many of our organizations have already made significant progress toward achieving increased efficiency and effectiveness through workforce restructuring.

The Bonneville Power Administration (BPA) has undergone radical restructuring and downsizing over the past eight years, driven by the deregulation of wholesale power markets. BPA refocused on customer and constituent needs and improved service levels, reduced costs and power prices to be more competitive, and improved the environment to ensure a High Performing Organization. Since 1993, BPA's employment levels declined by over 30 percent, the supervisor-to-employee levels have doubled from 1 to 5.3 to 1 to 10.7, and one layer of management has been eliminated. BPA intends to use its ongoing strategic planning and staff planning processes to support its commitment to the fulfillment of BPA's mission and continue to focus on and implement the initiatives included in OMB Bulletin 01-07.

The Rocky Flats Environmental Technology Site, and sites of the Ohio Field Office are scheduled for closure in the 2006 to 2009 time-frame. Extensive workforce analysis has been performed to identify what skills are needed for an orderly shutdown. Provided the closure schedules are met, most of the Federal employees will be separated or placed in previously identified key DOE positions around the complex with the remaining employees working on long-term stewardship projects such as environmental monitoring. The sites have requested separation incentives such as buyouts and early retirement authorities, priority consideration and priority selection within the Department and Federal government.

The Western Area Power Administration (WAPA) has achieved substantial management efficiencies as it continues to complete its organizational transformation which reorganized and realigned its functions allowing it to operate in a more businesslike fashion incorporating quality and customer-driven considerations into on-going work practices in order to become more competitive within the utility industry. Since 1995, Western has reduced its number of supervisors from 187 to 105, reduced the number of SES positions from 10 to 8, reduced overall staffing by almost 25 percent, reduced the number of organizational layers from 159 to 136, and increased its span of control from a 1 to 7.6 ratio to a 1 to 11.6 ratio. Western plans to continue to implement management efficiencies in FY 2003 and beyond.

We will use lessons learned from these early successes as we build DOE's FY 2002 corporate workforce restructuring targets. We expect to release specific quantifiable targets in the FY 2004 Corporate Budget guidance.

Although additional specifics are not expected until later, we have highlighted below many of the planned or ongoing workforce restructuring initiatives reported from organizations around the Department (Note: The NNSA material includes information from the Offices of Defense Programs, Non-Proliferation, Emergency Operations, and Naval Reactors). This material is grouped and presented under workforce restructuring results categories consistent with the OMB Bulletin 01-07.

Reduce the Number of Managers

During the next five years, organizations within the Department will pursue a significant reduction in the number of managers which will be accomplished in conjunction with a reduction in organizational layers (discussed below). Actions to be taken for reducing positions include organizational assessments, consolidations and realignments, and workforce restructuring which creates high-level scientific and technical professional positions that focus on work directly related to program mission requirements. Although the Department is still finalizing its corporate goals, many of our Program Offices have started to undertake efforts to reduce the number of managers; for example:

- The Idaho Operations Office will reduce the number of its managers by 15% over the next five years.
- The Office of Management, Budget and Evaluation (OMBE) will continue to review the implementation of the merger of the Office of the Chief Financial Officer and the Office of Management and Administration to reduce the number of managers, and to further reduce operating costs. The initial analysis of the merger indicates an annual savings of \$8 million in FY 2003, and approximately a seven percent reduction in FTEs from the FY 2002 level.
- The National Defense Authorization Act for Fiscal Year 2000 provides that the NNSA Administrator may establish up to 300 scientific, engineering, and technical positions, make appointments to those positions, and set the compensation of officers and employees in them, as may be necessary to carry out the functions of the organization. The Administrator will use this authority to create high-level scientific and technical professional positions involved directly in mission-related work, to provide technical direction to mission-oriented staff, and to reduce the number of general managers in favor of a cadre of technical experts.
- Nuclear Energy will perform a total assessment of the organization with a target to eliminate supervisory positions in FY 2003 and FY 2004.
- Many other DOE organizations committed to reduce the number of managers in their organizations from FY 2003 through FY 2007.

Reduce Organizational Layers

Over time, organizations often create non-value added review and approval steps and coordination points. The Department is currently assessing the number of layers between a field-level employee and the Secretary of Energy. Additionally, all organizations have been encouraged to analyze core processes for each of their functions in order to clarify decision-making authority and to identify and eliminate unnecessary steps. We will use the results of the information collected in FY 2002 to set a corporate standard. We will also look to private sector best practices in determining our standard. DOE organizations will be tasked to adopt this standard and submit implementation plans with their FY 2004 budget submissions. Eliminating layers will reduce cycle time and improve efficiency. Examples include:

- The improvements OMBE will achieve in reducing the number of its managers discussed in the previous section will also assist in reducing the number of organization layers, where appropriate.
- Centralized support for Facilities and Operations (F&O) and Management and Administration (M&A) in NNSA will reduce organizational layers by a factor of two at the Headquarters level, while at the same time raising the visibility and importance of critical enabling functions particularly in the budget, procurement and human resources areas. The Administrator's immediate staff support in several areas is consolidated into a single Administrator's Staff organizational component, thereby minimizing the number of organizational layers.
- Many other DOE organizations are formulating restructuring efforts that would reduce the number of organizational layers in their organizations from FY 2003 through FY 2007.

Reduce the Time it Takes to Make Decisions

Reducing the number of managers and organizational layers will normally lead to faster decision making. Faster decisions lead to improved management efficiency and more timely delivery of services to customers. At the same time as we are identifying the number of management layers we are also mapping the process flow between the field and the Secretary. Our Programs will then identify and analyze core process flows to ensure that each step is value-added or it will be eliminated. We will push decision-making down to the lowest appropriate level and will establish standard guidance to institutionalize our findings in FY 2002. We believe that this will ensure that roles are clear and that accountability for decisions is explicit. Clarification and documentation of roles and decision-authority will lead to faster decision-making at all levels.

In FY 2002, the Department, through the DOE Chief Information Officer, will explore a knowledge management system which is expected to be implemented in 2003. The CIO will install knowledge management and information portals to improve access to information critical to decision-making which

will result in reduced time to make critical management decisions. Examples of other actions taken or planned are stated below:

- Environment, Safety and Health will reduce the time it takes to make decisions by submitting approval/decision packages directly from Office Directors to Deputy Assistant Secretaries to Assistant Secretary or Office Directors to Assistant Secretary. This will eliminate lower-level concurrence chains, thereby reducing decision-making time.
- The NNSA Administrator's Management Council will integrate programmatic and functional planning and decision-making and resolve issues and make decisions that affect more than one NNSA component. It will counter the natural patterns of stove-piped decision-making developed within the NNSA components and provide a forum for faster resolution of operational issues that extend beyond the boundaries of one component.
- By FY 2003, Nuclear Energy will implement the use of electronic memoranda to reduce decision-making time.
- The Office of Security Operations will use performance metrics for security deliverables to eliminate time and management-level decision-making and thus enable its employees to take quicker action.
- Western Area Power Administration is implementing "Maximo," an information decision support system, which will be used for maintenance planning, inventory control, and establishing a comprehensive maintenance database for preventative maintenance. Maximo will enable Western to reduce decision-making time and better plan costs and activities in its maintenance and construction program in the 1-5 year horizon.

Increase the Span of Control

Span of control generally relates to supervisor-employee ratios. Increasing the span of control results in a natural reduction in the number of managers and organizational layers. Department-wide, the current span of control is about one supervisor for every eight employees. In FY 2002, the Department will research other agencies and the private sector to benchmark effective spans of control to identify appropriate organizational standards. DOE organizations have been developing plans to determine optimal staffing levels and work unit configurations with the goal of increasing their supervisory ratios. Examples of these plans include:

- Environment, Safety and Health will take the necessary steps to improve its span of control from a 1 to 7 ratio to a 1 to 10 ratio by the end of FY 2003. Further improvements will be made as appropriate.

- Over the next five years, the Idaho Operations Office will improve its span of control from a 1 to 5 ratio to 1 to 10 ratio.
- NNSA will establish office-level and work unit management structures and set the spans of control for managers based on the optimal levels of supervision for the effective and efficient execution of the organization's functions starting in FY 2003. NNSA will adhere to its design principle: "empower decisions at the lowest possible level" as it determines appropriate spans of control.

Redirect Positions to the Front Lines

Improving customer focus requires that more qualified staff be in direct service delivery positions (the front line). While reducing the number of organizational layers and increasing the span of control may result in reassignment of personnel to service delivery, additional actions to increase the number of front-line personnel will be required. These actions will concentrate on mergers, consolidations and reorganizations to permit redeployment of staff to the front lines. Although more specific plans will be developed in FY 2002, several DOE programs have already reported the following planned actions:

- In FY 2003 and beyond, the CIO will consolidate contract management and oversight responsibilities and redeploy staff time to customer support activities. In addition, the CIO will continue to consolidate all headquarters information technology support staff into the CIO.
- Positions will be redirected to the front line as EH's changing mission is developed to one of corporate assistance and technical support as part of the EH restructuring plan during FY 2003 through FY 2007. As part of this effort, EH will be exploring reassignments to the field.
- The NNSA will move administrative activities out of mission-related program components and into new consolidated support components to enable program components to focus their staff directly on mission-related activities. NNSA will use Excepted Service authority to enable scientific, engineering, and technical professionals in the field to focus on the "front lines." Over the past year, NNSA has redeployed over 50 technical managers and staff from its Operations Offices to its Area Offices at Amarillo, Los Alamos, Livermore, and Kansas City. This initiative will continue as part of the NNSA Staffing Plan that will be developed in FY 2002, and implemented in FY 2003 and beyond.
- By FY 2004, Nuclear Energy will reach agreement with Field Offices to place Headquarters employees at relevant field sites.
- WAPA has established a Project Management Integration Team to promote and implement a comprehensive project management program. Initiatives include a project management career path and organizational enhancements that will promote a matrix type organization with fewer organizational levels and more employees on the front lines in FY 2003 and beyond.

SECTION 4

WORKFORCE RESTRUCTURING IN ALIGNMENT WITH THE PRESIDENT’S MANAGEMENT REFORM AGENDA

Per OMB direction, significant emphasis has been placed on the government-wide goals of the President’s Management Reform Agenda in the preparation of the DOE 5-Year Workforce Restructuring Plan. Five elements of that Agenda are very specifically related to the DOE Plan. These elements are:

Strategic Management of Human Capital
Competitive Sourcing
Improve Financial Performance
Expanding Electronic Government
Budget and Performance Integration

The President’s Management Agenda acknowledges the mutually reinforcing nature of the five government-wide goals, especially noting:

“Workforce planning and restructuring undertaken as a part of *Strategic Management of Human Capital* will be defined in terms of each agency’s mission, goals, and objectives -- a key element of *Budget and Performance Integration*.”

and

“Agency restructuring is expected to incorporate organizational and staffing changes resulting from *Competitive Sourcing and Expanded E-government*.”

Also, based on discussions with OMB, similar treatment is accorded in DOE’s 5-Year Restructuring Plan to *Project Management* and *Contract Management* because of their close connection with restructuring issues. Specific corporate DOE actions for FY 2003 and beyond are incorporated into the text of each subsection as appropriate, and summarized in the last subsection.

SECTION 4-1 STRATEGIC MANAGEMENT OF HUMAN CAPITAL

Where We Were

In FY 1995, DOE began a 5-year period of accelerated downsizing. As a result of the rapid reductions of personnel, the Department was not able to retain employees with all of the critical skills necessary to accomplish future missions. In addition, seasoned employees with critical skills retired or sought alternative employment. At the same time, junior and mid-level employees, who would normally move into these positions, left the Department, concerned that Reductions-in-Force would be necessary to meet reduced staffing levels and sensing that opportunities for future advancement would be limited in the aftermath of the downsizing. The Department also essentially stopped hiring during this period. The impact of these actions was that the average age of the Department's workforce increased, technical and scientific bench strength diminished, and little or no "new blood" entered the DOE Federal workforce.

Several internal and external studies as well as recent guidance from the Administration and the General Accounting Office highlight both government-wide and DOE workforce vulnerabilities and the need to more aggressively address them. Included among them are the following:

- T The General Accounting Office issued a report in January 2001 entitled "Major Management Challenges and Program Risks" in which Human Capital Management in the Federal sector is listed as one of the High Risk areas to be addressed government-wide.
- T The National Research Council and the Congress have identified shortcomings in DOE's Project Management capability as a critical workforce issue.
- T In July 2001, the DOE IG reported on vulnerabilities in Recruitment and Retention of Scientific and Technical staff for the Department.
- T The FY 2001 DOE Accountability Report listed Human Capital Management as a High Risk challenge for the Department.
- T A DOE R&D Managers Technical Capability Panel, in 1999, found serious shortfalls in the Department capability to manage multi-million dollar research and science projects and identified the need to replace approximately 80 senior level employees over 4 years.
- T The Defense Nuclear Facilities Safety Board, which focuses on reviewing DOE technical capability at defense nuclear facilities, has regularly called on the Department to maintain a more highly skilled safety management workforce.

A quick summary of DOE workforce demographics, downsizing, and other current circumstances reveals the extent of the Department's human capital management challenge in rebuilding a highly skilled workforce for the future.

Demographics:

- T As of September 2001, DOE had a permanent Federal workforce of 14,159 including the Department's Power Marketing Administrations (4,260). The Department's Federal workforce oversees a contractor workforce of approximately 101,000 employees.
- T Thirty-two percent of the DOE Federal workforce requires scientific and/or technical skills. By 2005, over 30 percent of these employees will be eligible for retirement. Less than 6 percent of the current scientific/technical staff is under the age of 35.
- T It is projected that more than 35 percent of DOE's senior procurement officials, who are responsible for approximately \$16 billion per year in procurement spending, will retire within 5 years.
- T Similar problems, or worse, face other necessary professional and administrative categories of employees within the workforce.

Where We Are

The Department has undertaken a number of initiatives to address these problems, including:

- T *Project Management:*** An initiative to recruit and train high-quality project managers.
- T *Quick Hire:*** An automated staffing tool to reduce paperwork and produce more timely candidate lists.
- T *Technical Intern Program:*** A program to attract and develop highly-qualified and diverse recent college graduates.
- T *Supervisory/Managerial Training:*** Designed to ensure that all supervisors and managers have the basic skills needed to do their jobs.
- T *Hiring Controls:*** Pending further progress on the Department's human capital agenda, the DOE interim hiring control process, which requires review and approval by senior managers of all higher-graded and supervisory positions, has remained in effect since January 2000 to assure that continued hiring is for the most critical skills needed to support Departmental missions.
- T *Corporate Human Resources Information System (CHRIS):*** This integrated Human Resources Information System has enhanced operational efficiencies, reduced paperwork, eliminated redundant information systems and non value-added work by human resources professionals, and provided information necessary to make sound human resource decisions.
- T *Buyouts:*** The Department has used both buyout and early retirement authorities to meet organizational restructuring priorities and to address skills gaps by using the "headroom" these tools create to fill higher priority positions. Over 2,000 employees have accepted buyouts during the past five years.
- T *HQ Reengineering:*** The DOE Headquarters HR organization has embarked on an ambitious program to shorten processing times, to expand the use of automated processes, and to improve customer feedback as a means of speeding the hiring process.
- T *On-line Learning:*** Over 300 web-based courses are available for DOE employees in a broad range of training disciplines.

Where Are We Going

In July 2001, the Department's key leaders, led by the Deputy Secretary, convened a Human Capital Summit to identify next steps needed to improve human resources management at the Department and to re-commit themselves to supporting these improvements. The Summit entailed a rigorous process for identifying, understanding, and beginning to address key Federal workforce restructuring challenges facing the Department. In opening remarks at the Summit, the Deputy Secretary charged the attendees to focus on five key workforce areas and to identify initiatives that will make the Department "an employer of choice," give the Department a competitive edge in recruiting, developing, and retaining top talent, and make the Department more efficient and effective in carrying out its missions. The five key areas he identified were:

- T Performance Management
- T Management Efficiency
- T Recruitment and Retention
- T Diversity
- T Leadership Development and Succession Planning

Summit attendees concluded that the Department's basic workforce readiness and mission-delivery capability are inextricably linked to how well we acquire, develop, and use human capital, and that a combination of short-term and longer-term actions are needed to address DOE's challenges. To ensure the Department continues to move forward, on August 30, 2001, the Deputy Secretary directed the Department's managers to focus on several short-term FY 2002 Workforce Restructuring actions to improve human capital management (Appendix D). These actions included:

Revamping the SES Performance Management System to allow for meaningful distinctions among performers, provide greater focus on achieving desired outcomes, create stronger linkages between mission priorities and individual performance, reinforce leadership, and reward top performers with top dollars (See Appendix C).

Developing a Human Capital Flexibilities Guide and periodic Bulletins to help DOE better utilize available personnel flexibilities and tools, highlight best practices and solutions for unique issues and provide new information about emerging programs and authorities.

Promoting Diversity Programs Improvement to ensure that DOE diversity programs support a diverse, respectful, and productive workplace, including:

- T Issue a *DOE Diversity Policy Statement* to communicate to all employees the Secretary's vision, commitment, and expectations regarding diversity.
- T Develop *diversity training* for all DOE employees.
- T Incorporate a DOE *diversity-component into DOE management and supervisory training courses*.
- T Establish a *diversity baseline and develop measurable standards*.

T Establish an *outreach program* to educate and inform minority communities about DOE employment opportunities, programs and procedures.

Expanding the Use of Automated Human Resources Systems

T Increasing between 30-50 percent the current DOE-wide use of *Quick Hire*, an automated recruitment system that allows applicants to apply on-line and identifies top candidates in approximately one half the time of manual systems. As a part of this expansion, all Headquarters non-bargaining unit positions will be handled through the use of Quick Hire.

T Providing DOE employees *On-Line Learning* access to a broad range of desk-top courses which:

- Increase the availability of business management and leadership courses by 50 percent.
- Double the number of On-Line Learning subscriptions to Information Technology courses.
- Expand the number of DOE-specific courses available.

T Refocusing DOE Leadership Development Programs to groom high-potential employees for SES and other leadership positions in the Department by developing the following programs:

- C **A DOE-wide Mentoring Program** to include training and expectations for executives and high-level DOE leaders regarding their involvement in mentoring new and high-potential employees.
- C **SES Candidate Development Program** that targets selection and development of high-potential employees for critical mission needs based on expected attrition. This program will have a strong mobility component.
- C **DOE-wide Intern Program** to address DOE-wide needs for increased hiring and development of highly qualified technical and non-technical entry to mid-level candidates.

This first phase focuses on short-term initiatives that are expected to provide quick improvements in how DOE manages human capital now and in the future. These projects are all targeted for completion in FY 2002. For the longer-term, the focus is on FY 2003 and out year improvements that will provide a basis for better workforce analysis and planning and managing the hiring, retention, and development of DOE human resources. The Deputy Secretary will be asking several of the Department's top managers to assume specific responsibility for leading cross-cutting corporate efforts to improve DOE's workforce planning and management, associated resource strategies, and performance measurements. The Deputy Secretary will personally oversee these corporate efforts and plans to review organizational achievements as part of the Operational Program Review meetings and through other performance evaluation processes, and his direct involvement will ensure the success of DOE Corporate Workforce Restructuring Initiatives in FY 2003 and beyond.

The DOE Workforce Analysis submitted to OMB earlier this summer presented ample evidence suggesting that workforce planning is becoming increasingly critical and must be combined with an active effort to recruit high quality employees at multiple levels to ensure the long term health of the Department. The intertwined challenges of an aging workforce, a dearth of employees in the grades at or below the journeyman level (most particularly in the Technical workforce), and increased retirement eligibility over the next five years presents a situation in need of novel solutions for DOE and the Federal workforce at large. While the Workforce Analysis identified the vital, core skills needed to carry out our missions, additional work needs to be done to inventory current employee skills and to project where and when skills imbalances will occur and how to address them.

In order to fully address DOE's human capital management challenges, aggressive goals will be established to develop and implement a workforce planning program (including succession planning), expand the availability and use of statutory and regulatory human capital management flexibilities, assure that work and decision-making processes are reengineered and streamlined, utilize new performance appraisal programs that provide greater focus on achieving desired outcomes, and measure progress toward improved human capital management goals.

Specifically, the following corporate actions will be taken:

- ' Develop and implement a workforce planning program, including succession planning

ACTION 1-1. **Based on best practices, implement in FY 2003 a workforce planning methodology that will identify critical skills needs for key technical and scientific occupations and positions, and, through gap analysis, the resource needs through FY 2007. Particular emphasis will be placed on furthering actions begun in FY 2002 to identify opportunities for delayering and/or adjusting the number of supervisors. This methodology will be integrated with DOE's budget and performance planning process, and will incorporate organizational and staffing changes resulting from competitive sourcing, expanded e-government and other initiatives.**

ACTION 1-2. **In FY 2004, extend application of the workforce planning methodology to other key occupational groups.**

ACTION 1-3. **In FY 2003, develop a cross-cutting succession planning process for mission critical occupations and leadership positions to help resolve gaps identified by the workforce planning methodology.**

- ' Expand the availability and use of statutory and regulatory flexibilities with a special emphasis on resolving problems caused by lack of entry and mid-level hiring.

ACTION 1-4. In FY 2003 and beyond, integrate expanded use of incentives (e.g., bonuses and allowances) and flexibilities (e.g., excepted service, buyout and early out authority) with budget and performance plans; in FY 2002 and beyond, implement improvements to DOE human resources policies and practices (e.g., recruitment and classification simplification); and seek statutory improvements as needed (e.g., pay-banding and/or skills based pay, on-the-spot hiring authority) for critical positions.

- ' Assure that work and decision-making processes are reengineered and streamlined

ACTION 1-5. By close of FY 2002, study three to five major DOE processes (e.g., dismantling a weapon, making a grant, remediating a site) to determine if reengineering and changes in how decisions are made can contribute to delayering and a reduction in the number of supervisors.

- ' Utilize new performance appraisal programs that provide greater focus on achieving desired outcomes

ACTION 1-6. During FY 2003, cascade down a new Performance Management System based on the SES model (implemented in FY 2002) for all DOE GS-15 and below managers and supervisors to allow for meaningful distinctions among performers, provide greater focus on achieving desired outcomes, create stronger linkages between mission priorities and individual performance, reward leadership, and reward top performers with top dollars.

- ' Measure progress toward improved human capital management

ACTION 1-7. In FY 2002, establish performance measures that can be used in FY 2003-2007 to assess effectiveness of above actions and overall progress achieved in improving human capital management.

SECTION 4-2

INCREASE COMPETITIVE SOURCING

Where We Were

Throughout its history, DOE has relied on the private sector for conducting most of its industrial or commercial activities. Indeed, a significant portion of DOE work has been contracted out to industrial, academic, and nonprofit organizations, which manage and operate DOE owned plants, laboratories and other facilities.

In FY 2000, approximately \$18.5 billion of DOE's budget was obligated under contracts. In comparison, the expenditure in FY 2000 for the DOE Federal labor force was about \$1.29 billion. Since 1995, DOE has reduced its federal workforce by approximately 30 percent. In addition, DOE has applied privatization concepts to move functions from government performance to performance by the private sector. Examples are the National Institute for Petroleum and Energy Research in Bartlesville, OK, and the Elk Hills Naval Petroleum Reserve in California, both privatized in 1996. Even so, OMB Circular A-76 has not been the driving force for DOE's outsourcing philosophy, and the last A-76 study conducted in the Department was completed in 1995.

In October 1998, the Federal Activities Inventory Reform (FAIR) Act of 1998, Public Law 105-270, was signed into law. The FAIR Act requires all Federal agencies to submit to OMB by the end of June each year, a list of activities performed by Federal employees that are not inherently governmental functions. The Year 2000 Inventory reflected 9,941 Full Time Equivalents (FTE) performing commercial activities. For FY 2002 and FY 2003, the Administration has established performance objectives for subjecting a total of 15 percent of these FTE to the A-76 process. Additionally, OMB has directed agencies to improve the quality of FAIR Act data.

Where We Are

In order to improve the quality of the FAIR Act inventory in FY 2001, DOE has recently introduced several quality assurance and control processes to ensure more accurate inventory data. They included the development and publication of a definitional guide on function and reason codes and the differences between inherently governmental and commercial functions (improved OMB guidance in this area would be extremely beneficial); the use of electronic data collection; the conduct of workshops with inventory points of contact throughout the DOE complex to review the guide and to provide an opportunity for questions and answers; and a higher level of review and approval of the inventory's content by line management than in the past, with verifications as to the accuracy, completeness and consistency of data signed by the head of each major organization. Additionally, controls were instituted to ensure that the new requirement to conduct A-76 reviews did not result in a migration of FTE to the "inherently governmental" category. An analysis of DOE's 2001 FAIR Act as-yet unpublished inventory indicates that accuracy is improving, but additional work needs to be done.

To help prepare for the accomplishment of FY 2002-2003 competitive sourcing goals, a consulting firm was placed under contract to assist DOE in developing a long-term strategy and to support the application of A-76 procedures to targeted activities. A draft plan is in process and under review. Initial contacts have been made with DOE Unions. Additionally, a two-day training course was developed to provide training on the FAIR Act and the A-76 process. The prototype course was delivered August 15 and 16, 2001. Subsequent classes will be held through October 2001 at various sites across the DOE complex.

Where We Are Going

To further improve the accuracy of the inventory data, the following actions are planned internally or in conjunction with OMB staff:

- S Missing or incorrect information in the current inventory will be reviewed and corrected in order to establish a baseline for future improvement actions.
- S The inventories will be analyzed to identify variances in coding and classification of FTE by reason and function code.
- S Changes to existing guidance and policy are necessary to enhance standardization throughout DOE and improve inventory accuracy.
- S Lead Program Secretarial Officer (LPSO), Headquarters Element, and field office inventory coordinators and managers designated to approve inventories of subordinate offices will be trained on the changes to ensure improvements in the Year 2002 and subsequent inventories.
- S The current automated data collection tool will be modified to make it more "user friendly" and accurate through the use of drop down menus and other enhancements.
- S The corrected Year 2001 inventories will be incorporated into the new data collection tool to provide a starting point for the Year 2002 inventories.
- S Additional time for review and correction will be scheduled for the Year 2002 inventories and approval process because of the new policy, guidance, and data collection tool.
- S To build a sustaining A-76 program, a formal competitive sourcing office will be established. Updated A-76 policy and guidance will be developed, and support provided to headquarters activities and field organizations to effectively execute the A-76 program within the Department.
- S Effective training is critical to the successful accomplishment of current A-76 processes. In addition to that already developed, training on detailed instruction in conducting all aspects of A-76 studies will be provided as needed throughout the process.
- S DOE plans to enhance its web page on the FAIR Act inventory to incorporate A-76 information, and to establish an electronic library of reference and resource materials.

Maintaining an effective A-76 program requires dedicated resources performing the studies and overseeing the changes resulting from the studies. The Year 2002 requirement to study 5 percent of eligible FTE is not in DOE's current budget and funding will need to be identified to establish the program and meet the 2002 requirement. Adjustments to the Year 2003 and beyond budgets will need to be made to ensure that the resources are available without negatively impacting mission programs.

DOE will also establish a system to track costs and savings associated with the A-76 program to meet Congressional requirements. The Department of Defense has developed a Commercial Activities Management Information System (CAMIS) that will be considered for adaptation to meet DOE requirements. CAMIS is an A-76 life cycle cost management system where inputs are made at the field level and reports are made to specified levels of management. Specific information may include congressional notification of intent to conduct competition, A-76 study progress, anticipated/actual savings, and achievement of OMB mandates.

A-76 is a sensitive subject because of the potential effects on the workforce and mission accomplishment. An effective communication strategy is critical for program success. The DOE strategy will identify the approach DOE is taking to comply with A-76 requirements and explain why the A-76 program is being initiated, the A-76 process, and potential results. The objective of the communications strategy is to establish two-way communications between DOE's leadership and the work force, unions, customers, and stakeholders on all aspects of the program and its accomplishment. Each individual A-76 study will have its own specific communications plan.

The Department has developed specific actions to ensure the FAIR Act process is improved and effectively implemented over FY 2003 through FY 2007. The following actions will ensure we get there:

- ' Improve the quality of DOE FAIR Act data

ACTION 2-1. In FY 2003 and beyond, complete activities begun in FY 2002 to improve the quality of data and information contained in the Department's FAIR Act inventory of commercial activities.

- ' Study commercial activities in FY 2003 and beyond to achieve the most effective balance between a Federal and contractor workforce; and in the process, achieve a more streamlined organizational structure.

ACTION 2-2. In FY 2002, identify functions to be studied or direct conversions to meet the FY 2003 10 percent goal. In FY 2004 and beyond, develop plans, as appropriate, based on OMB FAIR Act agency targets.

ACTION 2-3. In FY 2003 and beyond, continue providing A-76 and FAIR Act inventory training, begun in FY 2002, for managers and employees as required to achieve the FY 2003 10 percent goal and FY 2004 to FY 2007 future goals.

ACTION 2-4. In FY 2003 and beyond, reassess contractor support requirements to support A-76 studies of identified functions.

- ' Alignment with Workforce Restructuring Plans

ACTION 2-5. In FY 2003 and beyond, adjust workforce restructuring plans, organizational structures, and resource allocations to incorporate organizational and staffing changes and efficiencies including delayering and reduction of managerial positions resulting from competitive sourcing.

SECTION 4-3

IMPROVE FINANCIAL MANAGEMENT PERFORMANCE

Where We Were

Financial Management Systems: To support accountability and improved decision-making, it is critical that the Department's business managers receive comprehensive and reliable financial information that can be displayed to meet specific management needs with little or no customized computer programming. A modern, responsive financial management system is needed to aid managers in meeting a growing workload with reduced resources and to help the Department continue to receive a clean audit opinion. The existing financial management systems have been used by DOE for almost 20 years and are not capable of responding rapidly to new demands for financial information from both internal and external customers.

Current systems are using outdated technologies that are difficult and expensive to maintain. Consequently, there is increasing risk of catastrophic technological failure and continued difficulty in recruiting and retaining staff with the current technological skills to operate and modify those legacy systems. As a result, many DOE program offices and field sites have developed their own auxiliary and often interoperable financial information systems that generate inconsistent information and necessitate additional reconciliation efforts.

The need to modernize DOE's financial management practices is also driven by actions external to the Department, including the passage of the Chief Financial Officers Act of 1990, the Government Performance and Results Act of 1993, the Federal Financial Management Improvement Act of 1996, the Clinger-Cohen Act of 1996, the issuance of OMB Circular A-127, and the requirements of the Joint Financial Management Improvement Program.

To address its financial management needs, the Department embarked on a proactive approach to develop and implement a state-of-the-art business management information system. A Strategic Information Management (SIM) review was conducted on the Department's core financial system information and reporting functions (i.e., planning, budgeting, accounting, and fiscal services). As a result, it was recommended that the Departmental Integrated Standardized Core Accounting System (DISCAS), Management Analysis Reporting System (MARS), Funds Distribution System (FDS), budget formulation systems, and other disparate financial systems in program and field organizations should be replaced with a single integrated system. Detailed functional and technical requirements analyses and a review of the Department's account structure were initiated in FY 1999 for the acquisition and implementation of new core financial and budget formulation systems focusing on the use of commercial off-the-shelf (COTS) technologies to the maximum extent practicable.

The Department's new architecture, the Business Management Information System (BMIS), has been designed to serve as an integrated complex-wide bridge for DOE's business processes (planning, budgeting, finance and accounting, procurement and financial assistance, human resources, asset management, and logistics). BMIS will enhance decision-making and ensure accountability via an expanded performance measurement structure. DOE's BMIS Phoenix Project will also foster the Department's e-commerce efforts. The first version of the system includes general ledger, accounts payable, accounts receivable, and fixed assets modules.

In FY 2000, substantial progress on BMIS Phoenix was made with the completion of functional and technical requirements, the completion of an acquisition strategy, a communications plan, the establishment of a project office and the award of a systems integration contract under GSA Schedule.

R&D Investment Criteria: Since enactment of GPRA, DOE has been working to develop performance measures for Research and Development (R&D) activities to gauge the Department's "Return on Investment." In recent years, DOE has refined and better linked its measures to the DOE strategic plan. Our goal is to now focus these measures on performance outcomes. The President, in his Management Reform Agenda, has charged the Department with improving its R&D investment criteria, and to develop a model that can be employed throughout the Federal government.

R&D Cost-Sharing Policy: The Energy Policy Act establishes minimum cost sharing of 20 percent for R&D projects and 50 percent for demonstration or commercial application projects and covers nearly all Fossil Energy (FE) and Energy Efficiency and Renewable Energy (EERE) programs. Cost sharing can be waived based on DOE policy. Cost sharing is prohibited for basic energy sciences research and development under the Act, subject to certain exceptions. Current DOE policy implementing these provisions of the Act are covered in Financial Assistance Letter 96-01.

FE and EERE have generally included cost sharing requirements in solicitations. While the programs have aggressively negotiated to maximize cost sharing and use as an award factor, it was not necessarily the predominate decision-making element. For DOE cooperative agreements over \$10 million, the aggregate cost share has been 49 percent.

Where We Are

Financial Management Systems: In FY 2001, significant progress has been achieved on the design and implementation of the new BMIS Phoenix System. Three of the six IBM Enterprise Resource Planning design and implementation methodology phases have been completed (selection, planning, and focus). The project is now in the design phase, which stresses the development of gap closing strategies. Additionally, project teams were formed and trained, and a BMIS project office was established.

Financial improvements at the Department have not been limited to BMIS. Examples of other ongoing or completed financial improvement activities include:

- Bonneville Power Administration reviews its costs with each rate case to ensure Full Cost Recovery.
- In FY 2002, the Chief Information Officer will complete an outsourcing study for the Department's payroll system.
- The Assistant Secretary for Energy Efficiency and Renewable Energy developed a Strategic Management System to increase the efficiency and effectiveness of business management functions of planning, budget formulation and execution, and program analysis and evaluation.

R&D Investment Criteria: Today, DOE is working to develop more meaningful quantitative objectives and measures in its planning documents and as part of the agency's budget process. To determine the extent to which measures have been achieved, milestone progress is formally reported both mid-year and at end-of-year intervals. Programs with an R&D mission are making strides toward improving their investment decision-making process. For example, EERE identifies potential program outputs (e.g. technology improvements) and associated market impacts, outcomes and benefits. EERE has also been working to better implement portfolio investment approaches in its R&D selections, including mapping programs to goals and objectives, and the program continually consults with the National Academy of Science and others to improve its ability to assess past and future programmatic benefits. These activities are coordinated under EERE's Strategic Management System which integrates planning, budgeting, budget execution and program evaluation and analysis.

R&D Cost-Sharing Policy: The President's Budget "Blueprint" states, "DOE's applied R&D programs frequently require industry cost sharing, but the requirements vary widely from program to program. Subsidies to industry average 50% and exemptions are common." Although there are not currently any systematic criteria applied to determine the appropriate minimum cost sharing levels, the Department should push for more than the minimum level.

Last year, a multi-program team examined the options for a more clearly defined cost-sharing policy for R&D programs. The Office of Procurement and Assistance Management also identified a draft cost sharing proposal that would raise the assumed minimum cost sharing for applied research, short of commercial application, from 20 percent to 50 percent.

Where Are We Going

Financial Management Systems: The primary improvements in financial management at DOE will be through BMIS. The strategy for BMIS implementation is based on a phased deployment strategy to reduce risks by calibrating the pace of change with available resources. Ultimately, the power marketing administrations and the Federal Energy Regulatory Commission will be integrated for external reporting purposes.

BMIS Phoenix -- Planned Major Milestones

Most of the project effort in FY 2002 will be focused on completing the Design Phase, which includes the gap closing strategies, and to complete the reports, conversion programs, and interfaces needed to move forward with the first scheduled implementation of the Core Financial System. The Capital Accounting Center cluster, tentatively scheduled for the beginning of FY 2003, will be the first implementation. The remaining service center clusters, Albuquerque and Oak Ridge, will follow in FY 2003 along with the Headquarters consolidated reporting entity. Independent verification and validation testing and end-user training is also planned for FY 2002 through FY 2004.

The implementation of Budget Formulation is scheduled for FY 2004; however, a requirements analysis will begin in FY 2002, and the schedule may be accelerated. Other project activities in FY 2002 through FY 2004 will include close coordination with the Procurement modernization effort to ensure maximum integration.

The full-range workforce restructuring impacts from implementing the new BMIS Phoenix System are unknown at this time. Key variables that determine the impacts are the number and scope of gap closing strategies that require a full business process reengineering. It is important to note that many of the adjustments from standardizing procedures and related work force restructuring occurred during the accounting consolidation three years ago when the Department moved from 19 to 3 service centers. The SIM Process completed in FY 1999 did not target job losses or reorganizations. Based on information available today, we anticipate the following changes:

- Current staff will be empowered with more capable analytical and reporting tools for timely and comprehensive decision support.
- The shift to more automated work processes will enable Departmental staff to manage the increasing work load by better leveraging information technology.
- C New system will be more flexible, powerful and easier to learn and to use.
- C Time spent on redundant data entry will be eliminated, freeing up staff for other activities.
- C Time spent on reconciliation from multiple data entry will be significantly reduced.
- C Increased use of Department-wide standards will maximize training investments, support interoperability, and help protect data integrity.
- C More comprehensive and timely financial information for program and project managers to make decisions.

R&D Investment Criteria: Starting in FY 2001 and continuing through FY 2002, at the Direction of the Secretary of Energy, a Strategic Review of Energy Efficiency and Renewable Energy's research and development programs was launched. The intent of this reviews is to compare program goals to those contained in the National Energy Policy; identify and fully understand the technical accomplishments to date and projected future accomplishments; identify national benefits from EERE R&D programs and project future benefits; and identify the methods used to carry out the R&D programs and document the efficiency and appropriateness of those methods.

DOE is working with the Office of Management and Budget to develop performance criteria for certain applied research and development activities. The Department's Energy Efficiency and Renewable Energy (EERE), Nuclear Energy (NE), and Fossil Energy (FE) programs will pilot this initiative.

R&D Cost-Sharing Policy: The Office of Management and Budget has proposed incorporating policy guidelines for cost sharing in applied R&D as part of the effort to develop better R&D investment criteria.

- ACTION 3-1.** In FY 2003 and beyond, utilize BMIS as the new standardized, efficiency and effectiveness financial management system to support accountability and improved decision-making for timely and comprehensive mission support. The improved data system will reduce staffing required for system maintenance and will provide enhanced data for better and faster decision making.
- ACTION 3-2.** In FY 2002 and beyond, EERE, FE, and NE will incorporate performance criteria into their planning and budgeting systems. This will help ensure the most effective allocation of resources.
- ACTION 3-3.** In FY 2002 and beyond, DOE will utilize a scorecard, jointly developed with OMB, to assess the extent to which applied R&D programs meet performance criteria. The scorecard will address the Federal role in a project, including an evaluation of industry activity, the way a project is planned and managed, and the program's expected and achieved effectiveness.
- ACTION 3-4.** In FY 2002, DOE will assist OMB in its efforts to expand and transfer investment criteria to applied R&D programs to other Departments and agencies for use in formulating the President's FY 2004 budget. This will highly leverage DOE's efforts in developing performance criteria, and provide for effective utilization of R&D resources Government-wide.
- ACTION 3-5.** In FY 2002, based on previous successes, DOE will begin to develop and utilize separate investment criteria for basic research programs for use in FY 2004. This action will begin the transfer lessons learned with applied research and development in EERE, FE and NE to the basic research programs in the DOE Science and Technology Business Line.

ACTION 3-6.

In FY 2003, the Department will consult with OMB and determine the best approach for establishing cost-sharing policy for applied R&D projects and will take appropriate steps to implement the new policy as quickly as possible. Expanded cost sharing will significantly increase the effectiveness of DOE's applied research resources.

SECTION 4-4

EXPANDING ELECTRONIC GOVERNMENT

The Department continues to invest resources toward expansion of electronic tools for use by managers and employees in operations, business systems and sound decision-making strategies. Work in the following areas continue to enhance the ability of the Department to better utilize its staff resources by automating internal processes. Sound technology investments also allows DOE to reduce costs, share information more quickly within the Department, and with DOE contractors and external stakeholders.

The DOE Chief Information Officer (CIO) will incorporate the goals of the President's management and performance plan to provide "one-stop" shopping for all stakeholders, eliminate redundancies in business reporting requirements and reduce administrative costs by using e-business best practices for administrative processes and services.

The following are three main areas of focus for the Department over the next five years:

CENTRALIZING INFORMATION TECHNOLOGY OPERATIONS

Where We Were

The Department of Energy (DOE) makes an annual investment of over \$1 billion in information technology (IT) systems and services in order to support its mission responsibilities. Despite the creation of a Chief Information Officer post at DOE, the Department has managed information technology services in a decentralized manner through its program staff offices. Each office independently budgets, procures, installs and supports IT in order to accomplish their respective core functions.

This decentralized approach has allowed each office to customize IT investments to support their missions and Federal and contractor workforce. This has led to a Department-wide IT infrastructure that is: more resource intensive than necessary; fails to harness its significant purchasing power in negotiating contracts; and, supports overlapping and duplicative projects and investments in multiple hardware and software platforms.

Where We Are

The new management team at DOE has decided to centralize common IT functions within the DOE Headquarters under the CIO. This action will result in: significant management and cost efficiencies; centralized planning; streamlined decision-making; and, enabling the Department to reduce costs while providing an equal level of service to all employees.

Where We Are Going

This process of centralizing IT support will lead to a significant restructuring of IT staff and resources within the DOE. Whether the IT staff in program offices are moved into the CIO or whether they support the CIO through delegation of authority through their respective program offices, the overall DOE IT workforce assigned to support common IT functions will be reduced as part of the centralization effort.

Additionally, the movement to a centralized IT management will bring about many of goals called for by President Bush and the E-government team at OMB including:

- ✓ Significantly simplify processes and bridge islands of automation within the Department.
- ✓ Encourage common standards and interoperability requirements throughout the DOE.
- ✓ Centralized approach will speed up the CIO's projects to install a common Public Key Infrastructure throughout the Department.
- ✓ Increase access for persons with disabilities.

The Department has developed specific actions to ensure the President's initiative to expand electronic government is improved and effectively implemented over FY 2003 through FY 2007. The following actions will ensure we get there:

□ Improving IT operations through centralization

ACTION 4-1. Study the consolidation of Headquarters information technology support activities (help desks, network servers, e-mail messaging, web-hosting services, mainframe computer services, cyber-security services) and IT support staff in FY 2002. This will identify management efficiencies and cost reduction opportunities, and reduce the number of separate contracts and staffing requirements.

ACTION 4-2. In FY 2003, establish enterprise licenses (best deal) for all common desktop applications (software/hardware) for efficiencies of scale which will yield cost savings and add consistency for desktop applications throughout the Department.

ACTION 4-3. In FY 2003, implement a Department-wide information technology support contract to realize cost reductions and standardization of improvements. This will assist in redeployment of personnel to other electronic government priorities potentially reducing overall staff requirements, including unnecessary managerial and oversight positions.

BUSINESS SYSTEMS MODERNIZATION

Where We Were

Providing reliable IT to support the use and growth of automated business capabilities across the Department is an ever-increasing challenge. The past two decades saw a transition in DOE from a centralized hub and spoke Mainframe-based systems to distributed client/server network environments. This transition resulted in decentralized ownership of IT resources leading to inefficiencies in the use of corporate information and resources.

While employee access to IT increased, the transition created greater inefficiencies in deploying, sustaining, and managing these technologies. These difficulties extended to issues such as:

- ✓ Acquisition.
- ✓ Security.
- ✓ Quality assurance.
- ✓ Integration of older corporate, or legacy, systems.
- ✓ Deployment of distributed networks increased investments in our IT workforce skills base as a means of sustaining distributed IT systems and capabilities. This base is a mix of Federal employees supplemented by contracted service providers.
- ✓ Ownership of integration projects, as well as the introduction of new business systems, has been the responsibility of the owning organization or program. Staffing and funding these projects was usually accomplished within their budgets or through pooled funding. Project goals and objectives were generally biased towards programmatic, rather than corporate requirements.

This bias began to change as a result of the creation of the Information Technology Management Reform Act of 1996, referred to as the Clinger-Cohen Act. The Act ensures planning and investment controls; the application of performance metrics; the use of results-based management methodologies; and, it established Departmental CIO's as the responsible IT agents.

Where We Are

Introduction of the Clinger-Cohen Act requirements has slowly resulted in incremental improvements in processes used to ensure that corporate and enterprise systems requirements are satisfied. Within DOE, IT efforts increasingly incorporate the principles of information architecture, standards, capital planning, and collaboration as a result of facilitated efforts by the CIO.

To ensure mission-critical and mission-essential needs are met, the CIO champions efforts to improve IT investment, development, deployment, and funding. Examples include:

- ✓ Strategic Information Management Collaborative Business Case Program (SIM), a facilitated decision management process, that focuses on identifying and improving the business processes and performance factors inherent in systems modernization.
- ✓ Corporate Management Information Program (CMIP) is a Departmental investment fund to support replacement or enhancement of outdated legacy systems. CMIP is funding 11 projects including modernization of the Department's Procurement systems.
- ✓ Corporate Human Resources Information System (CHRIS) allows employees to view and, in some instances, update payroll and personnel information in real-time on a web-based system. It provides access to human resource policies and Federal Regulations. Employees can obtain, complete, and submit pertinent forms on-line. Additionally, employees can obtain job information or contact Human Resources offices throughout the DOE complex.

These programs and systems require efficient use of scarce IT dollars rather than continued investment in sustaining inefficient or costly legacy systems. Using the underlying technologies of the World Wide Web (Web), these systems maximize access, reduce implementation costs, and eliminate duplicative systems.

Where We Are Going

Modernization and deployment of new or enhanced business systems will provide efficiencies and advantages based on the quality of processes, management, and stewardship of these efforts. The evolution of distributed computing within the Department is at a point that future activities will require refined program and corporate requirements using business processes that drive focused efforts - such as the SIM process.

Developing and applying these processes will require centralization of some leadership roles to ensure common goals and objectives within DOE's IT community. The goals and objectives will also include extending some automated capabilities beyond internal use as a means of providing public services electronically.

Providing services to these audiences while still serving our mission objectives will be an evolving effort and rely on the innovative efforts of our IT workforce.

Developmental efforts will incorporate the needs of external audiences, including business communities; education and R&D institutions; other government entities and stakeholders; and, average citizens who increasingly rely on networked activities.

- Accelerate corporate business system modernization efforts

ACTION 4-4. In FY 2002, develop computer interoperability standards throughout the Department to decrease the processing time for data transactions and increase management efficiencies. Implement these standards by FY 2003. Beyond FY 2003, modify standards as new information is developed in the

field. Increased interoperability will speed information flow throughout the Department and will result in tangible reductions in staffing.

ACTION 4-5. Implement digital signature capability for five corporate systems in FY 2003. Continue to implement digital signature capability for at least 10 percent of the remaining systems per year. This process efficiency will yield cost savings and streamline decision-making by reducing paperwork and processing time. The cost savings will compound each year as management efficiency goals are met.

INFORMATION CONTENT MANAGEMENT FOR INFORMED DECISION-MAKING

Where We Were

To make informed decisions, the Department of Energy's managers, staff, and researchers need a variety of information resources, ranging from administrative matters such as directives and technical standards to cutting edge scientific and technical information. Historically, the DOE has been burdened with the lack of access to current and reliable information. Not unlike other government agencies, information was dispersed among a variety of repositories including:

- ✓ Corporate databases.
- ✓ Program-specific information databases.
- ✓ Other systems with various degrees of automation.

Not only did users of information have to know which systems to use to get to needed information, but they also had to deal with time lags. The Department was not focused on coordinating the processes throughout the DOE complex to ensure the accuracy and reliability of data. Efficiency, effectiveness, and accountability as a result suffered.

Where We Are

The Department has achieved a degree of success in developing and managing information systems that enable managers, program directors, and researchers to make informed decisions, thus improving their effectiveness. While there is still much work to be done, the process of developing both the systems and the procedures for managing and populating the systems, has been successful. Examples include:

- ✓ **DOE Directives System.** Through this electronic system, Departmental requirements and guidance are now reviewed and formalized through a web based system. This new system enables a smoother and more informed concurrence process, as well as, a more streamlined method for locating and consulting directives and guidance.
- ✓ **Distributed searching capabilities for many of the Department's key scientific and technical information systems.** Such distributed searching functionality enables researchers and their leaders to access timely scientific and technical information without needing to know of all the multiple databases of information at various locations throughout the DOE complex.

Where We Are Going

DOE is now poised to take an even greater leadership role in the advancement of e-government to support its workforce, customers and partners. The goal is increase access to corporate, administrative, and scientific and technical information, and other resources, and tools available via collaborations with other agencies and the private sector. Such an effort, which would be enhanced by some digitization of legacy collections, will lead to the provision of an extensive Web-based electronic information infrastructure readily accessible to DOE managers, staff, and researchers, and, as appropriate, to the broader customers in the research and education communities and science-attentive citizens. Examples of future activity may include:

- ✓ A cradle-to-grave R&D tracking system (Portfolio Management Environment) to permit highlights of the DOE R&D portfolio and allow for greater accountability by tracking deliverables against goals.
- ✓ Expanded internet-based collaborations with other science agencies so each agency can take full advantage of the information sources of each other. Efforts will be focused on providing additional tools and functionality's, such as:
 - Extensible Markup Language (XML) for data tagging.
 - Open Archive Initiative (OAI).
 - Dublin Core (DC) to optimize interoperability and to facilitate the use of knowledge in real-world settings.
- ✓ Work to bridge the gap between information technology R&D and its deployment in actual government information infrastructures.
- ' Improve information content management for informed decision making.

ACTION 4-6 Automate all major public information collections (web-based) in FY 2003. This will show a cost savings by eliminating duplicate and redundant collections and forms, bring one stop shopping to citizens and stakeholders, and reduce the time it takes to get information and make decisions.

ACTION 4-7. Expand the selection of tools for internet-based collaborations and make decisions with other science agencies. Work will begin in FY 2003 to determine the best method and technology to support this goal. This will allow the Department to take advantage of the knowledge base of each science agency and realize the efficiencies that they have obtained

SECTION 4-5 BUDGET AND PERFORMANCE INTEGRATION

Where We Were

With an aim toward making government more results oriented, many initiatives in performance-based management began in 1993 with the passage of the Government Performance and Results Act (GPRA) and a government-wide performance review. The report from the review recommended developing and using measurable objectives for new programs, clarifying the objectives of existing Federal programs, and developing a written agreement between the President and the heads of departments and agencies. That year, DOE launched its results-oriented management approach by initiating the Department's first ever strategic plan which was published in April 1994 to document DOE's business lines, to articulate agency goals and objectives, shape future budgets, and guide program execution. DOE was the 7th agency to execute a Performance Agreement with the President. A system was developed to track and report progress, and annual performance planning and reporting had begun; however, it was not related to or integrated with the budget process.

In 1996, DOE developed a systems approach to management – the “Strategic Management System” – which provided a key tool used to clarify, detail, and document the interrelated strategic planning, budgeting, budget execution, and program evaluation processes throughout the Department.

The GPRA requirement for a strategic plan in FY 1997 allowed DOE to apply experience it gained with its first strategic plan, several rounds of developing performance agreements with the President, and its experience with accounting for its performance and funding required by the Government Management and Results Act of 1994.

In FY 1997, the preparation of the FY 1998 budget included the first effort to integrate performance planning with the budget. Prior performance agreements had been prepared after the Department's budget was appropriated by Congress. Planning performance with the budget meant projecting performance in terms of measurable goals and objectives with the proposed funding request.

Beginning with FY 1998, the year before it was required by GPRA, the Department integrated performance planning with the budget in the Budget Highlights document. The FY 1999 annual performance plan was the first required under GPRA. It too was published with the Budget Highlights, but was presented in a separate section modeled after the agreements. The plan also had tables that identified all the objectives each budgeted program's results would support. However, due to overlapping purposes of the programs and products, it was not possible to tie budget requests with the goals and objectives of the strategic plan more closely than at the business

line - a very high level of aggregation. Further, the budget development process did not clearly factor expected performance when deciding funding requests for programs.

The FY 2000 annual performance plan improved the alignment between the proposed performance plans and the requested budget by publishing the performance commitments of the performance plan in the budget justifications.

With the experience of one complete cycle of the Strategic Management System under the requirements of GPRA, in April of 2000, the Department adopted a policy of performance-based management to “plan for, manage evaluate, and reward organizational, employee, and contractor performance; improve the delivery of products and services, facilitate communications with customers and stakeholders; encourage employees and contractors to achieve excellence, and to guide decision-making.” It also provided guiding principles for the application of performance-based management at the Department.

GAO noted that the FY 2000 plan was “moderately improved” over the FY 1999 plan and cited its linkage of resources to performance goals as a strength. DOE made further improvements to the alignment by organizing performance around the budget accounts to closely match the budget structure. The revisions made to the FY 2001 performance targets after the FY 2001 budget was enacted would be the reference point for preparing the final fiscal year performance report.

Where We Are

DOE has made significant progress toward addressing the new Presidential Management Reform Initiative to better integrate performance and the budget. At any given moment, DOE is working on four fiscal years: evaluating activities for the most recent year, executing the current year’s budget and performance plan, budgeting for the next year, and strategic planning for the one after that. Although the budget cycle is still an annual cycle, the addition of planning prior to developing a budget and adding evaluation after the budget’s execution extends the overall process. The four phases of planning, budgeting, budget execution, and evaluation are parts of a continuing cycle integrating performance and budget with good management techniques. During the past several years, the justification of programs within the budget has become more performance-based.

In the area of integrating performance and the budget, the key accomplishment of the Department over the past several years has been the culture change toward planning for results, measuring against plans, and holding DOE managers accountable. We have had five years of establishing and tracking performance agreements and our managers know that performance targets for the budget are now expected. We have also been including performance with accounting information in the accountability reports for five years.

Where Are We Going

This year the Department is more closely integrating budget and performance. Although internal budget decisions were not made this year with explicit consideration of the performance to be delivered for the proposed budget, in the presentation of our FY 2003 budget to OMB, we are incorporating changes to demonstrate how each program's annual performance targets contribute to the Department's strategic objectives and goals.

Performance will be the justification for program budgets. Program budgets will be clearly linked to strategic objectives and respective business line goals. Accountability has been improved by having one program budget account support only one strategic objective. We believe this will better align organizations with budgets and performance.

The workforce restructuring implications of clearer alignment of performance and budget are several. First, the human capital necessary to deliver the specified performance can be evaluated for efficiency and effectiveness. This has not been possible in the past because the structures had not been aligned. Second, it provides a measure for linking rewards to organizational and individual employee performance. Lastly, it promotes better service by fostering more competition in outsourcing based on full costing of resources.

For many years the Department of Defense (DOD) has utilized a Planning, Programming, and Budgeting System (PPBS) as a performance-based management system for allocation of its resources. During FY 2002, the Department of Energy will evaluate this system to determine its applicability to our programs and determine whether the DOD system can be modified for application to DOE.

ACTION 5-1. In FY 2003 and beyond, DOE will make internal budget decisions based on an analysis of program plans and performance results. The information derived from performance measurement and reporting will be used in evaluating programs and organizations. The new Office of Management, Budget and Evaluation will lead this effort to ensure that the Department's budgetary resources are applied to programs and projects that are in line with DOE's mission and goals. The OMBE will issue implementation guidance to achieve this goal with the FY 2004 budget call.

ACTION 5-2. In FY 2003 and beyond, DOE will implement performance-based management at all levels of DOE, from managers to front-line employees and contractors. Employee performance standards and performance-based contracts will support organizational goals derived from strategic planning. Managers, employees and contractors will be accountable for their expected performance and rewarded based on how well they performed against those expectations. This discipline will make DOE an

employer of choice for competent and hard-working employees. DOE will institutionalize this accountability through a revision of the SES performance system (FY 2002) and General Schedule performance systems beginning in FY 2003.

ACTION 5-3. In FY 2002, the Department will assess the applicability of a complex-wide Planning, Programming, and Budgeting System (PPBS) to improve the decision making process for planning and budget development. By bridging the planning and budget development by a “programming” phase, the organizations will be better equipped to establish clear workforce needs. Based on the assessment in FY 2002, the Department will develop a strategy for its implementation in FY 2003.

SECTION 4-6

PROJECT MANAGEMENT

Where We Were

Project Management Program: DOE's construction and environmental remediation projects have long been plagued by cost overruns and schedule delays. Independent studies in the early 1990s indicated DOE projects took longer and cost about 50 percent more to complete than comparable projects at other federal agencies or in the private sector.

Prior to the 1990s, the Department followed a strict and comprehensive set of rules and guidelines for its project management activities. In the mid-1990s, the Department implemented a less prescriptive project management philosophy. Detailed procedures were eliminated and replaced with general guidance on project management. The Department relied less on federal managers and more on contractors to perform its project management and technical engineering management responsibilities. DOE's Office of Field Management utilized 25 federal employees to ensure the implementation of the Department's project management processes.

The General Accounting Office's 1996 report on the outcome of 80 DOE major projects initiated between 1980 and 1996 found that only 15 projects had been completed – many were significantly over budget and behind schedule – and another 31 had been terminated prior to completion. Four major causes were identified:

- Poorly designed contractor incentives.
- Insufficiently skilled DOE project managers.
- Poorly defined or changing project missions.
- Incremental project funding.

In 1997, Congress directed DOE to contract with the National Research Council (NRC) to study DOE's project management. In its first report, NRC recommended that external independent reviews (EIRs) of DOE projects be undertaken and associated guidelines established. The NRC's July 1999 report, "Improving Project Management in the Department of Energy," became a beacon for revising DOE's project management regime.

The FY 2000 Energy and Water Development Appropriations Act subsequently eliminated the Office of Field Management. The Office of Engineering and Construction Management (OECM) was created within the Office of the Chief Financial Officer (now the Office of Management, Budget and Evaluation (OMBE)) in November 1999 with an authorized staff of 10. The mission of OECM is to:

- Drive value-added change in the Department's project management systems.
- Provide corporate processes for and oversight of the Department's capital projects.
- Advise and support the Department's project management staff.

Project Management Workforce: The National Research Council's (NRC) July 1999 report also concluded that DOE's lack of a career development program for its Federal program and project managers led to poor project execution. NRC recommended the creation of "criteria and standards for selecting and assigning project managers" and that "DOE should require that all project managers be trained and certified."

Where We Are

Project Management Program: The Department implemented DOE Order 413.3, *Program and Project Management for the Acquisition of Capital Assets* on October 13, 2000. The Order replaced the previous Life Cycle Asset Management (LCAM) directive that had provided general project management guidance, with a set of more specific requirements. DOE Order 413.3, designates the Deputy Secretary as the Secretarial Acquisition Executive responsible for establishing acquisition policy. The Order strengthens line management accountability for project management results by requiring: Designated Acquisition Executives (AE) to render Critical Decisions during specific phases of a project (as required by OMB for all federal agencies); the AE to conduct regular project performance reviews; Independent Reviews to be conducted during specific phases of a project; the creation of Lead Program Secretarial Office Project Management Support Organizations (LPMSO); and greater contractor accountability and a re-emphasis on the federal role in overseeing and managing the contractors. The Order also requires:

- Use of Integrated Project Teams led by Federal Program and Project Managers.
- Improvements in acquisition planning and contracting.
- Criteria to be met before a project can be funded.
- Better baselines after the completion of a Preliminary Design.
- Establishment of a Project Engineering and Design (PED) funding line to develop the project design, cost and schedule by each Program Secretarial Office.
- Implementation of an Earned Value Management System (EVMS) on all projects with a total project cost greater than \$20 million. EVMS is the industry standard management tool to assist project managers in monitoring a project's cost and schedule metrics.
- Creation of a Chief Operating Officer's Watch List to monitor projects with cost/schedule/technical variances which threaten the project's success.
- Use of a project management tracking and control system.
- Establishment of a Project Manager Career Development Program(PMCDP).

Concurrent with the release of the Order, a draft Project Management Manual and a separate draft Practices Guide were issued for use by the Department. The draft Manual and Practices Guide provide guidance on procedures, models, tools, techniques, and standards to be used by project managers.

While most other federal agencies with a capital asset acquisition business line, such as the U.S. Army Corps of Engineers (USACE) and the Naval Facilities Engineering Command (NAVFAC), have their project managers consolidated in a single project management organization within their field offices, DOE sites generally distribute project managers throughout their programmatic stovepipes.

Additionally, DOE continues to rely heavily on contractors to perform project management duties. The Department has approximately 113 Federal project managers for a \$1.1 billion annual capital asset acquisition program. In comparison, USACE has approximately 400 Federal project managers for its \$1.8 billion annual Army Civil Works planning, design and construction program.

On January 17, 2001, the National Research Council issued a letter report to the Secretary with their initial assessment of the direction the Department has taken with project management improvements. The NRC stated that "... notable steps [had been made] in the right direction and [were] indicative of greater interest and involvement [by DOE management]." NRC's letter added that "DOE's changes were positive but only the starting point for a problem with no quick fixes."

Project Management Workforce: A Benchmarking Study on Project Management Career Development best practices has been completed. The roles and responsibilities of DOE project managers have been defined, as have the critical knowledge and skills required to be a DOE project manager. A gap analysis is currently underway to determine the gap between the required knowledge and skills for DOE project managers and the actual skills they currently possess.

OECM is designing and implementing a Project Management Career Development Program (PMCDP) for DOE Federal project managers. The development of the PMCDP is in direct response to the NRC recommendations. The goal of this two-year developmental program is to create a mechanism by which DOE can develop a cadre of trained and certified project managers. Certified Federal project managers would be assigned to successfully deliver projects on time, within budget, and meeting all technical requirements. FY 2001 funding in the amount of \$1.4 million was appropriated for the PMCDP, and funding for FY 2002 is planned at the same level. Development of the PMCDP commenced in January 2001 and will continue through December 2002. A Task Force has been formed to develop and monitor the PMCDP.

Where We Are Going

Project Management Program: The Project Management Manual and Practices Guide will be finalized in early FY 2002 and the review of the Order will be initiated. DOE Order 413.3 will undergo a formal sunset review -- a review to determine if changes are needed -- in FY 2002.

The Project Analysis and Reporting System (PARS), developed by OECM, was launched in late FY 2001 and will become the sole source of project data for the Department. Project reviews conducted by the Deputy Secretary and the Office of Management, Budget and Evaluation will utilize the PARS database.

The EIR process has been streamlined to improve the quality and timeliness of the reviews. The Project Review Management System (PRMS) developed by OECM will be used to plan, manage, document and track the Corrective Action Plans of the EIRs. The PRMS will be used for all EIRs starting in FY 2002.

The FY 2002 budget request required that PED funds be appropriated as a mandatory measure before the Department's programs were able to begin any new Preliminary Designs. Additionally, a project's performance baseline must be validated by OECM after completion of an EIR on the project's design and engineering documents, generally after completion of the Preliminary Design. Starting with the FY 2003 budget request, program offices may not submit a budget request to initiate the construction of a project without the approval by the AE of the validated performance baseline.

Project Management Workforce: DOE will complete the design of the PMCDP in December 2002. This program will include formal certification of all DOE project managers into one of five levels of project management capability. The levels of certification will correlate to project manager positions for projects of different sizes and complexity. The certification program will comprise extensive training and experience requirements and will likely require both external and internal certification. New courses will be developed and off-the-shelf courses will be utilized from other Federal agencies such as National Aeronautics and Space Administration, the Federal Aviation Administration, and the Defense Acquisition University.

DOE will track and manage its project managers as a critical resource. An incentive/retention system is envisioned to ensure that DOE can retain the personnel required for this core competency. A "corporate" system for formally assigning DOE project managers to projects will also be established.

Project management training courses provided by the current DOE training contractor are undergoing a review to determine their adequacy to support the new requirements of the DOE Order 413.3. The curriculum must integrate subjects such as the Earned Value Management System, Pre-project Planning, Integrated Project Teams, and Risk Analysis. In addition, the information obtained from the gap analysis will be used to formulate the requirements for the DOE-wide project management training contract that is scheduled for renewal in FY 2003.

' Workforce restructuring and management efficiency impact

ACTION 6-1. In FY 2003, implement the Department's Project Management Career Development Program and by close of FY 2007, ensure 95 percent of project management professionals are certified to the level required for their grade.

' Improved project management

ACTION 6-2.In FY 2003 and beyond, develop measures to gauge the success of the Department's Project Management Program, offer awards and retention bonuses to top performers, and review alternative staffing alignment options including greater use of inter-disciplinary project management teams and the detailing of seasoned project mangers across field elements.

SECTION 4-7

CONTRACT MANAGEMENT

Since 1994, DOE has engaged in an extensive effort to improve contract management. The effort is multi-faceted, ranging from process re-engineering to an overhaul of the Department's major site and facility management contracts. Of key importance to this Workforce Restructuring Plan are those efforts relating to improving the workforce performing contract administration and holding managers more accountable for results. All initiatives are linked to procurement's Balanced Scorecard System of Performance Management, which DOE pioneered for the Federal procurement community.

Where We Were

Competition: Prior to the contract reform initiative, the Federal Acquisition Regulation and the Department's policy concerning competition presumed that a management and operating (M&O) contract would be noncompetitively extended unless the Government would realize an advantage from competing the contract. As a result, the Department and its predecessor agencies conducted very few competitions for the management and operating contracts over its 40 year history. For example, in the 10 years between 1984 and 1994, there were only 3 competitions.

Use of Performance-Based Contracting: DOE's approach to major site and facility management contracting relied heavily on cost reimbursement structures involving ill-defined statements of performance expectations; served to limit competition; and lacked meaningful incentives for motivating contractors to higher levels of performance. Fixed-fee provisions were frequently used. Prior to 1994, performance objectives for DOE's major site and facility management contracts were typically developed by the field offices, with little or no direct involvement of Headquarters program and business management officials. Similarly, DOE historically contracted for non-site and facility management services by using broad work statements and specifying a level-of-effort to be provided rather than results to be achieved.

Contract Administration: In past years, the Department's own internal reviews, as well as reviews conducted by the DOE Inspector General and the General Accounting Office, highlighted issues relating to the Department's administration of contracts. Reports demonstrated a need for the Department to: improve the skills of the people performing contractor performance validation; develop and maintain systems that adequately track technical and cost baselines; clarify roles and responsibilities of key individuals associated with the development and administration of performance objectives and incentives; develop improved policies and guidance relating to performance objectives and incentives; and institutionalize contract administration "best" practices.

Workforce Restructuring Implications: In 1998, the DOE Procurement Executive performed a demographic study as a result of concerns that four years of downsizing had created potential short- and long-term problems regarding the ability of the workforce to meet future needs. The study confirmed the need to develop programs to address workforce management issues such as: recruitment; retention; succession planning; and new skill development to meet the rapidly changing procurement environment. A strategic plan was developed to address the issues raised by the study, and a program instituted for career development of procurement as well as related acquisition personnel. Phase I of the Department's Acquisition Career Development Program was implemented in May 1998. It established three levels of certification for acquisition professionals in grades GS-5 through GS-15. The levels of certification are linked to successful completion of specific course work (e.g., Cost and Price Analysis, Contract Law, Contract Management for Supervisors). Over 85 percent of the Department's acquisition workforce has been certified to the level required for their grade within a two-year period against the same standards set for the Department of Defense acquisition workforce.

Phase II of the program was implemented in March 2000. It established a structured program which provides for educational and experiential opportunities to develop future leaders of the acquisition workforce, including (1) the DOE Masters Program, which provides course work in acquisition-related areas, commercial contracting, electronic commerce, project and financial management, and a rotational assignment with industry to learn business management in the private sector, and (2) the DOE Top XX Program, which is designed to develop leadership competencies through attendance at a leadership institute; a developmental assignment as Acting Deputy Director at Headquarters; and a rotational assignment with industry to observe world class leadership.

Utilizing agreements with private sector companies to support DOE's exchange program, including Citigroup, Alcoa, Procter & Gamble, Deere & Company, Sears Logistics Group, Southern Company, Oracle, and Cisco, five acquisition professionals have been selected for the leadership programs; two have completed their rotations with industry and three are scheduled to begin their rotation in the fall of 2001. The Department will continue to place acquisition professionals in rotational leadership assignments through FY 2007.

In addition to the accomplishments under the Acquisition Career Development Program, succession planning programs are underway which have placed numerous acquisition professionals in 60-90-day developmental assignments to serve in full capacity senior management positions, including the Department's Procurement Executive.

Where We Are

Competition. There are currently 37 major site/facility management contracts within the Department, 26 of which are management and operating contracts. Of these 37 contracts, 26 have been competed. In 1994, there were 52 major site and facility management contracts using the M&O form. Of these, only 3 had been competed in the previous 10 years. The Department also

established a policy in which competition became the norm for management and operating contracts, rather than the prior default position of indefinite extensions on a noncompetitive basis. DOE has taken aggressive action to implement the new policy. The Procurement Executive serves as the advocate for competing management and operating contracts, and the Secretary must approve any noncompetitive award or extension of major contracts at DOE sites and facilities. In addition to the high degree of competition associated with major facility management contracts, DOE has also emphasized competition in its other contracts. In FY 2000 over 92 percent of new, non-management and operating contracts were competitive - the highest rate in DOE history.

Use of Performance Based Contracting. 100 percent of DOE's major site and facility management contracts use performance-based techniques in defining contractor requirements, evaluating contractor performance, and linking financial incentives to results. The Department has successfully instituted the use of specific performance objectives that focus on results in mission critical areas of performance. Performance objectives are tailored to the nature of the work being performed, and consist of both objective and subjective goals and measures. Objectives are developed with corporate involvement of the needed disciplines - program, procurement, finance, safety and health - from both Headquarters and the cognizant Field Office.

DOE has established a performance management program which ensures that contractor fees are appropriately tied to performance objectives (fixed-fees are virtually non-existent); ties bonuses for key managers to the achievement of performance objectives; requires that contract performance objectives be formally linked to DOE's strategic plan; ensures high-level program participation in establishing performance measures; holds Federal executives accountable for effective contractor management; requires Secretarial review of past award fees, performance history, and criterion for the subsequent award fee determinations for major site and facility management contractors; and requires briefing of high level management officials on contractor performance assessments.

The Office of Procurement and Assistance Management (OPAM) sponsors an ongoing series of workshops focused on the development of appropriate performance objectives and incentives for major facility management contracts. OPAM has developed a guide on performance-based statements of work and has established a "hands-on" training program for non-site and facility management services contracts. This program consists of 1-2 day workshops which are facilitated by a subject matter expert, involving both contracting and program personnel.

Contract Administration. Numerous changes in Headquarters and field practices, particularly those involving program roles have been made as part of DOE's Contract Reform Initiative. Management and operating contract regulations have been completely overhauled and contract terms and conditions standardized throughout the DOE complex. Further, the Office of Procurement and Assistance Management reorganized to more effectively address both pre-award and post-award contract administration issues. A new Contract Administration Division has been formed to provide general management direction consultation and guidance on contract administration and to aggressively seek out and resolve contract administration issues.

Additionally, in order to improve the way the Department administers and manages its contracts, a multi-disciplinary team representing both Field and headquarters offices was formed to analyze issues and to issue guidance on proper contract administration. The efforts of that team resulted in the issuance of a "Reference Book for Contract Administrators." For the first time in DOE history, this document identifies all aspects of major site and facility management contract administration, provides guidance on accomplishments, and cross references all pertinent directives affecting contract management. It also has allowed the Department to establish a corporate contract administration baseline across the DOE complex by setting forth the roles, responsibilities and procedures for those involved in the process of administering the Department's major site and facility management contracts.

Workforce Restructuring Implications. A FY 2001 demographics survey revealed that the Department will continue to be challenged to maintain a procurement workforce that meets the future needs of a rapidly changing procurement system. The survey showed that only 4.3 percent of procurement professionals are in the 25-30 age category; 18.9 percent are in the 31-40 age category; 36.8 percent are in the 41-50 age category; and 40.0 percent are in the over 50 age category. DOE will be further challenged by Congressional budget decisions which may further reduce the numbers of available procurement professionals.

Where We Are Going

Competition. The Department continues to promote competition to the maximum extent practicable for all of its contracts. It will continue its disciplined process of management reviews of proposed noncompetitive actions for management and operating contracts, as well as retaining the final decision for the Secretary. DOE's balanced scorecard will contain performance targets for competition. Total competition levels are targeted at 75 percent.

Use of Performance-based Contracting. The Department will continue to ensure that 100 percent of its major site and facility management contracts use performance-based approaches in identifying contractor requirements and evaluating contractor performance. Consistent with the performance goals established by the Office of Management and Budget and the Office of Federal Procurement Policy Procurement Executive Council Government-wide Performance Measurement Program, the Department will continue to increase the use of performance-based service contracts. For FY 2002, DOE will have two "stretch" performance targets for performance-based contracts: (1) 60 percent of total eligible service contracting dollars will be obligated as performance-based service contracts, and (2) 66 percent of total eligible new service contract actions will be performance-based service contracts. DOE targets significantly exceed government wide goals.

Contract Administration. In FY 2001 the assessment of actual field practices, organizations, lines of authority, and other matters will be completed. Balanced scorecard management initiatives will be defined based on the results of the review.

Workforce Restructuring Implications. The Department will continue to address improvements needed in contract management. The above information provides an excellent framework on where DOE is going in the future and the management attention this area will have over the next several years. Numerous workforce programs, training, and other initiatives have been taken and are planned for FY 2003 through FY 2007.

- ' Improve workforce restructuring and management efficiency by ensuring DOE has a well-trained and knowledgeable procurement and acquisition workforce to effectively manage DOE's major contracts.

ACTION 7-1. In FY 2003, DOE will continue to implement its comprehensive Acquisition Career Development Program for procurement and related (project management, financial assistance, property management) acquisition personnel, with a focus on leadership development, succession planning, and skill gap closure. A professional certification program for project managers will be deployed. Performance measures for procurement professionals (at least 85%) and project managers professional development will be established

ACTION 7-2. In FY 2003, DOE will establish an acquisition intern program as a subset of a more comprehensive Departmental Human Capital Improvement Plan initiative to establish a DOE-wide intern program that enhances expertise and professional capability on the front-lines of DOE's workforce.

- ' Improve contract management by ensuring DOE has a procurement and acquisition workforce that effectively manages DOE's major contracts and is taking steps to improve cost-efficiency through increased competition and use of performance-based contracts.

ACTION 7-3. In FY 2003 and beyond, the Department will continue to promote competition to the maximum extent practicable for all contracts, including management and operating contracts (M&O). A performance goal of at least 75% of contract dollars will be established.

ACTION 7-4. In FY 2003 and beyond, DOE's major site and facility management contracts will continue to apply and improve upon performance-based contracting techniques. Facilitated workshops for both M&O contracts and general service contracts will be employed to craft performance-based statements of work and related contract functions. Performance goals for both M&O and non-M&O service contracts will be employed.

ACTION 7-5.

In FY 2003, DOE will implement contract administration improvement actions following up on its recent contract administration guide and operational assessment. Necessary management initiatives and performance measures will be established in the Office of Procurement and Assistance Management's balanced scorecard.

SECTION 5 CONCLUSION

Workforce restructuring requires a major change in organizational culture, and the Department of Energy is fortunate to have the strong support of top leadership in a concerted effort to build on workforce planning and restructuring efforts that began prior to the requirements of the OMB Bulletin. The Department has been reviewing its workforce needs over several years now and has implemented many actions, as discussed in this Plan, to streamline and restructure its workforce since the downsizing the Department experienced between FY 1995 and FY 1999.

The Department recognizes that despite prior progress made to enhance management efficiency and effectiveness, and despite serious downsizing, there are still significant opportunities to improve as a result of additional actions over the next five years that will include a mix of Department-wide initiatives as well as organization-specific actions. DOE also understands that it will take some time to instill the discipline of workforce planning and restructuring for all of the organizations within DOE. The DOE 5-Year Workforce Restructuring Plan that has been developed provides a roadmap to continue the process. The Plan will be further refined as the FY 2002/2003 budget picture is finalized and input on the Plan is received from OMB. In FY 2003 and beyond, ongoing assessments against established measures will be made of the degree to which these actions meet anticipated needs, what worked well, what barriers still exist, and what else needs to be done.

Many of those challenges and barriers were identified in the DOE Workforce Analysis submitted to OMB earlier this summer. The most serious problems identified include:

- The rigid structure of the Federal pay and benefits system
- Lack of flexible hiring tools, including on-the-spot hiring authority
- Complexity and unintended consequences of reduction-in-force (RIF) rules
- Competition for scarce expertise in nuclear engineering, including dismantling the Nation's nuclear arsenal, cyber-security, and other highly technical and scientific areas

Another significant barrier is a lack of experience and expertise in conducting and implementing workforce planning in the Federal sector. Skills needs assessments, succession planning, and the development of human resources capabilities in the highly dynamic and fluid Federal employment environment present particular challenges that will require a great deal of effort in the months and years ahead.

In sum, the DOE's 5-Year Workforce Restructuring Plan and associated efforts will aid the Department in meeting its mission requirements with less bureaucracy and with a greater emphasis toward achieving meaningful National Security, Energy Resources, Environmental, and Scientific results, while at the same time modernizing business practices, improving communications, and streamlining decision-making.

SECTION 6 APPENDICES


- A. Changes to the Department's Management Structure
Memorandum dated July 26, 2001
- B. Operational Program Reviews
Memorandum dated July 25, 2001
- C. Improving Senior Executive Service Performance Management
Memorandum dated August 8, 2001
- D. Managing Human Capital
Memorandum dated August 30, 2001



The Secretary of Energy
Washington, DC 20585

July 26, 2001

MEMORANDUM FOR HEADS OF DEPARTMENTAL ELEMENTS

FROM: SPENCER ABRAHAM 
SUBJECT: Changes to the Department's Management Structure

Since assuming my responsibilities as Secretary of Energy, I have been reviewing the Department's management structure and reporting relationships. Now, after consulting with the Department's senior management, I have determined that there are additional opportunities to improve both the management and effectiveness of the Department.

I. Management Responsibilities

First, authority for all policy decisions resides with me in the Office of the Secretary, and I will look to the Deputy Secretary, Frank Blake, and the Chief of Staff, Kyle McSlarrow, to exercise oversight of policy.

Second, Deputy Secretary Blake will serve as the Department's Chief Operating Officer and will be responsible for the day-to-day management of the Department against its mission objectives. Deputy Secretary Blake will also be responsible for direct line management of both Under Secretaries, the Energy Information Administration, the Chief Information Officer, Independent Oversight and Performance Assurance (see below), the Power Marketing Administrations, and, except as noted below, all support and staff offices.

Third, I am strengthening the role of the Under Secretary for Energy, Science and Environment, Bob Card. Under Secretary Card will have direct line management responsibility for the following offices:

- Civilian Radioactive Waste Management;
- Energy Efficiency and Renewable Energy;
- Environment, Safety, and Health;
- Environmental Management;
- Fossil Energy;
- Nuclear Energy, Science and Technology;
- Science; and
- Worker and Community Transition.

While the Deputy Secretary will be the Department's Chief Operating Officer, the two Under Secretaries will be the line managers responsible for directing the



activities of the Department's four major business units. In a corporate sense, their role will be similar to a division president. We intend to be a line-driven organization; thus, a primary responsibility of the departmental staff is to support the Under Secretaries in the delivery of their responsibilities.

As the operating officers of a Department where most of our work is carried out by contractors, the Under Secretaries will have the responsibility and accountability for contracting and procurement activities in their respective areas. The Under Secretaries will be supported as before by the procurement function located within the Office of Management, Budget and Evaluation.

Fourth, the Chief of Staff, Kyle McSarrow, will support the Deputy Secretary and me by overseeing the day-to-day management of all staff within the Office of the Secretary, as well as the Offices of Scheduling and Advance, Congressional and Intergovernmental Affairs, Security, Intelligence, and Counterintelligence. Similarly, the Deputy Chief of Staff, Joseph McMonigle, will oversee the day-to-day management of the Office of Public Affairs.

II. Organizational Changes

I have previously announced my intention to combine the former Office of the Assistant Secretary for International Affairs with the Office of Policy to create a new Office of the Assistant Secretary for Policy and International Affairs. I have now determined that the Consumer Affairs function previously with the Office of Management and Administration will be assigned to the Office of Public Affairs. The Offices of the Chief Financial Officer and Management and Administration will be merged and renamed the Office of Management, Budget and Evaluation.

Because of the critical importance of oversight with regard to environment, safety, health and security, that responsibility will remain with the Office of the Secretary. Therefore, oversight for environment, safety and health will be incorporated in the Office of Independent Oversight and Performance Assurance, reporting to the Deputy Secretary. Because of the critical nature of the Chief Information Officer's responsibilities, that office will report directly to the Office of the Secretary. Finally, it is my intention that the functions of the Task Force on Energy Emergencies be formalized in a manner that combines relevant capabilities and eliminates unnecessary duplication of responsibilities.

These changes are summarized in the organizational crosswalk provided as Attachment 1 (Organizational Realignment) and the organization chart provided as Attachment 2. General Gordon has already announced the reorganization of the National Nuclear Security Administration to improve its operations. That restructuring is planned to go into effect by October 1, 2001, and is also reflected in the attached Department Organization Chart.

I am directing Deputy Secretary Blake to effect these organizational changes as quickly as possible, while complying with the relevant laws and regulations (including transfer of functions) as well as the relevant provisions of the Headquarters Collective Bargaining Agreement with the National Treasury Employee's Union. My goal is to have these changes completed by October 1, 2001. Kyle McSlarrow is charged with seeing that the appropriate Congressional notifications are made.

I am counting on each of you to support these changes and help me make this Department a more effective and efficient organization.

Attachments

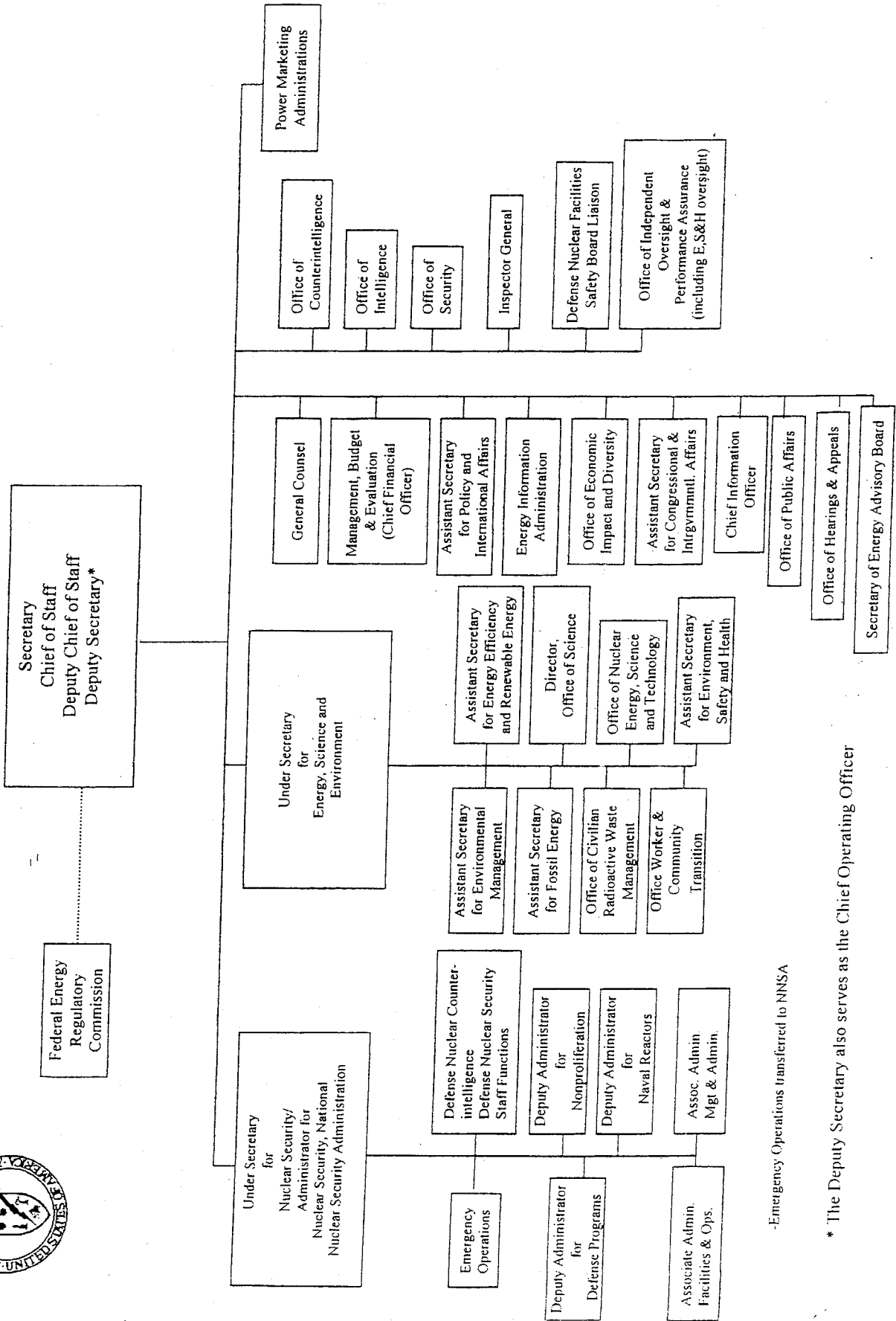
ORGANIZATIONAL REALIGNMENT

<u>Present Organization/ Function</u>	<u>New Reporting Organization</u>
Office of the Secretary	No change (day-to-day, Chief of Staff)
Power Marketing Administrations	No change
General Counsel	No change
Chief Financial Officer	Now Office of Management, Budget, and Evaluation
Management and Administration	Now Office of Management, Budget and Evaluation
Environment, Safety and Health	Reports to Under Secretary ESE
Congressional Affairs	No change (day-to-day, Chief of Staff)
Policy	Now Office of Policy and International Affairs
International Affairs	Now Office of Policy and International Affairs
Economic Impact and Diversity	No change
Inspector General	No change
Counterintelligence	No change (day-to-day, Chief of Staff)
Intelligence	No change (day-to-day, Chief of Staff)
Security	No change (day-to-day, Chief of Staff)
Chief Information Officer	New Office; reports to the Office of the Secretary
Independent Oversight & Perf Assur.	Includes ES&H oversight (day-to-day, Deputy Secretary)
Public Affairs	No change, but adds Consumer Affairs function (day-to-day, Dep. Chief of Staff)
Worker and Community Transition	Reports to Under Secretary ESE
Hearings and Appeals	No change
Secretary of Energy Advisory Board	No change
DNFSB Liaison	No Change
Under Secretary for Energy, Science and Environment	
Fossil Energy	No change
Energy Efficiency & Renewable	No change
Nuclear Energy, Science and Technology	No change
Energy Information Admin.	Reports to the Office of the Secretary
Environmental Management	No change
Radioactive Waste Management	No change
Science	No change
Under Secretary for Nuclear Security	NNSA reorganization in progress



DEPARTMENT OF ENERGY

Attachment 2



-Emergency Operations transferred to NNSA

* The Deputy Secretary also serves as the Chief Operating Officer



The Deputy Secretary of Energy
Washington, DC 20585

July 25, 2001

MEMORANDUM FOR UNDER SECRETARY FOR ENERGY, SCIENCE
AND ENVIRONMENT
UNDER SECRETARY FOR NATIONAL NUCLEAR SECURITY
ADMINISTRATION

FROM: FRANCIS S. BLAKE *F. S. Blake*

SUBJECT: Operational Program Reviews

Today, I am taking the first of several steps to improve overall business management at the Department of Energy by instituting quarterly Operational Program Reviews (OPRs).

I have asked the Chief Financial Officer (CFO) to take the lead in this effort. The CFO, in conjunction with each of the Principal Secretarial Officers (PSOs), will develop information on each program that indicates:

- How the program is relevant to the Administration's stated goals,
- What accountability exists at the level of the PSO and below,
- What management controls are in place to ensure that the programs are well focused,
- What means exist for measuring progress (milestones and schedules),
- What measures are actually used to manage the programs, and
- Whether the programs are efficient and effective.

I have attached an initial survey and schedule for this effort. I expect each PSO to complete the survey and return it to the CFO by September 21, 2001. We will be piloting this initiative with EE in the July-August timeframe. This survey will establish a benchmark/baseline of current practices for each PSO. We will build on this to develop the measures and metrics we will use to ensure programs remain on schedule, within budget, and deliver intended results. I intend to meet with each PSO to review the results of this survey. I will also meet with PSOs quarterly to review the status of each program and have asked the CFO to conduct periodic field visits to provide an independent assessment.

I know that I can count on each of you to assist me in ensuring that our programs are managed to the high standard expected by Secretary Abraham.

Attachments

Deputy Administrator for Defense Programs
Deputy Administrator for Defense Nuclear Nonproliferation
Assistant Secretary for Energy Efficiency and Renewable Energy
Assistant Secretary for Environmental Management
Assistant Secretary for Fossil Energy
Director, Office of Civilian Radioactive Waste Management
Director, Office of Nuclear Energy, Science and Technology
Director, Office of Science



Operational Program Reviews – Initial Survey

(Limit your total response to no more than five pages)

What is your Program's mission?

Effectiveness :

How does your Program further the National Energy and other Administration Policies?

Identify and prioritize your Program's top five strategic objectives (i.e., outcomes). PSOs may, if necessary, include other key objectives.

How do you measure and define success against these top five objectives? PSOs may, if necessary, include other key objectives.

How often do you measure: to whom do you report your successes and/or issues; and what actions do you take as a result of these reports?

Do you have a formal tracking and reporting system? If yes, describe.

What tools do you use to manage field operations? Are these goals, metrics, and strategies incorporated into your program operations and projects at your field offices?

Efficiency:

Does your program deliver promised outcome, on time and within budget?

Does your program meet or exceed best business practices for timeliness/cost?

Execution:

How do you insure there is a clear link between your stated Program objective and your allocation of resources (money/people)?

How do you link program objectives to budget?

How do you link program performance to individual accountability?

Operational Program Reviews – Initial Schedule

Date	Action
Phase 1(pilot)	
June 29	Meet with Deputy Secretary. Secure approval for approach and letter to EE
July 6	Issue Survey Instrument to EE
July 27	Survey due back to CFO
July 30-31	Staff review survey, revise protocols as necessary
August 1	Meet with EE to discuss responses
July 25-Aug 10	Prepare for field visit
August 14-15	Visit Golden/NREL
August 16-24	Final questions to field Draft report, get comments from EE
August 27	Presentation of results, issues to CFO
August 28	Presentation of results to Deputy Secretary
	Deputy Secretary decisions
Phase 2(tentative)	
September 3-7	Presentation of Lessons Learned, revised process for next review
September 10	CFO/DS to meet with all PSOs, Issue Survey, explain process and requirements
September 21	Survey due back to CFO
Sept/Oct	Staff review surveys, conduct analysis, summary report (covering all PSO)
Oct/Nov	Develop metrics and measures for each PSO to be used going forward
	EE- Week of 10/15 NN - Week of 12/3 NE- Week of 10/22 DP- Week of 10/29 EM- Week of 11/5 SC- Week of 11/12 RW- Week of 11/19 FE- Week of 11/26
Oct/Nov	Conduct field visits - two to four sites
November	Work with each PSO and their staff to finalize metrics and measures
Nov/Dec	Codify OPR process, establish schedule for reviews for 2002 to 2004
December	Briefings for other DOE and external elements as appropriate
Oct/Dec	Parallel effort to assess infrastructure and IT needs to support OPR process

OPR Field Review Team - Skill Mix

(likely two teams)

Skill Base	DOE Federal	Non-Federal
Team Leader	X	
Accountant	X	
Budget analyst	X	
Acquisition specialists	X	
Project engineers/Project managers	X	
Program technical experts	X	
Management consultant		X
Performance measurement experts		X



The Deputy Secretary of Energy
Washington, DC 20585

August 8, 2001

MEMORANDUM TO: Heads of Departmental Elements and
Senior Executive Service Members

FROM: Francis S. Blake *Francis S. Blake*
Deputy Secretary

SUBJECT: Improving Senior Executive Service Performance Management

This memorandum is to announce a new performance management system for Senior Executive Service (SES) employees of the Department of Energy. This revised system will take effect at the start of Fiscal Year 2002 and cover all SES employees—both career and non-career.

The Department of Energy's current SES performance management system does not provide direct and clear linkages between key mission/program goals and executives' performance objectives. Nor does it provide a results-oriented process for measuring achievement and making meaningful distinctions to ensure that top performers are rewarded according to their significant contributions in meeting organizational goals. Further, there is a need to define more clearly those leadership attributes or core competencies that every executive should possess and demonstrate.

For these reasons, I am directing Departmental organizations, with assistance from the Office of Management, Budget and Evaluation, to move quickly to implement a new executive appraisal system which will have as its key features:

- ✓ A strong focus on linking executive performance plans and ratings to clearly defined, mission-related priorities as well as desired leadership attributes for all executives.
- ✓ Emphasis on performance planning and continuous feedback throughout the performance cycle, including mid-year assessments with discussions on improving results.
- ✓ A four-level rating system which reserves the highest level for those performers who demonstrate exceptional leadership effectiveness, program execution and customer focus.
- ✓ A rewards and recognition program that provides "top dollar" to exemplary performers.
- ✓ Timely corrective action plans developed for individuals whose performance needs improvement.

An outline of the framework for the new system is attached. The Office of Management, Budget and Evaluation will provide further written guidance and training that addresses critical aspects of the new system such as establishing new performance plans, conducting progress reviews and providing feedback, rating performance, and linking performance to awards.

Although the system is not ready for roll-out, it is not too early for SES employees and their managers to begin planning for FY 2002 by identifying their key mission priorities and results-based program goals that will drive the new appraisal process. Also, organizations will be required in the near future to focus on completion of the FY 2001 SES appraisal process. In this regard, I plan to meet with the heads of major DOE organizations to discuss their SES performance recommendations for FY 2001. I expect the Heads of Departmental Elements to take an active role in ensuring that this new system for senior executives is tied closely to their organization's mission requirements and is implemented in a timely and efficient manner. To ensure that adequate attention is focused on these important processes, a tentative schedule of key events for FY 2001 and FY 2002 is attached for planning purposes.

I recognize that change in a performance management system affecting over 400 executives will not be easy. However, it is critical that we do a good job of managing performance at all levels.

Attachments

DEPARTMENT OF ENERGY
SENIOR EXECUTIVE SERVICE
PERFORMANCE MANAGEMENT SYSTEM

- **Effective Date:** October 1, 2001
- **Applicability:** Career and Noncareer Senior Executive Service

Key components of the new SES performance system are outlined below:

A. CRITICAL ELEMENTS USED IN PERFORMANCE ASSESSMENT

Element I - Key Programmatic Accomplishment:

- This area of performance assessment focuses on the “critical few” program and mission-related activities in the executive’s area of responsibility.
- These objectives which will be fashioned by the Senior Executive Service (SES) executive and his or her manager. The objectives must be closely linked to the organization’s mission and will be operationalized in terms of expected outcomes/results, timeframes, final products and services, etc.
- Each key objective will be tracked in a uniform format with two primary focuses:
(1) results achieved (e.g., program improvement outcomes, policy impacts) and
(2) how efficiently and effectively the SES executive executed or obtained the results.

Element II - Key Leadership Attributes:

- This critical element focuses on “how” the executive carries out his/her responsibilities relative to highly desirable leadership attributes that are expected of all Departmental SES members.
- Each executive will be assessed against 10 pre-defined leadership attributes (see listing of attributes which follows).
- These attributes are closely aligned with the Office of Personnel Management’s Executive Core Qualification requirements, the competencies that are used in making hiring and placement decisions for SES managers.

Attributes

- ✓ Demonstrates Functional Competence
 - ✓ Exhibits Analytical Ability and Solves Problems
 - ✓ Builds Diversity
 - ✓ Customer Service and Partnerships
 - ✓ Communicates Effectively
 - ✓ Innovates
 - ✓ Demonstrates Personal Leadership
 - ✓ Creates Effective Operating Plans
 - ✓ Builds Capability
 - ✓ Coaches, Motivates and Develops
-

B. RATING LEVELS

The new performance management system adds an additional rating level for SES performance appraisal. The new four level summary rating system is as follows:

- **Exceeds Expectations:** (New) Clearly exceeds performance expectations. A model executive who sets an example for others, while consistently making outstanding contributions to the Department. This rating level would be reserved for the top performing DOE executives.
- **Meets Expectations:** Consistently meets all performance requirements. A solid performer.
- **Needs Improvement:** Occasionally does not meet performance requirements.
- **Fails to Meet:** Regularly does not follow-through with meeting performance requirements. Job performance is below an acceptable standard and corrective action is required.

C. CUSTOMER FOCUS

One of the key components of the new DOE SES performance management system is the focus on improved customer relations and customer satisfaction. In line with the Office of Personnel Management's regulatory requirement for "balanced measures" and to maintain focus on improved customer relations, all executives and their supervisors will be held accountable for

regularly communicating with the organization's customers and assessing how well the organization's customer service and related objectives are being met by the executive. At a minimum, feedback and input received will be communicated with the executive during the progress review discussion and documented throughout the appraisal process.

D. PROGRESS REVIEWS

At least one progress review is to be conducted and documented by the rating official during the annual performance appraisal cycle (i.e., typically at midpoint-April 30). More than one progress review is encouraged in assessing all career executives serving probationary periods, and with post-probationers whose performance reflects a need for improvement. Continuous feedback throughout the performance cycle is strongly encouraged.

E. PERFORMANCE BONUSES AND PAY ADJUSTMENTS

The new performance management system places emphasis on rewarding "top" performers in recognition of their exemplary achievements. Executives rated at the "Exceeds Expectations" level will be granted sizable bonuses in line with their outstanding contributions.

Timelines


<u>FY 2001 SES Appraisal Cycle</u>	<u>New SES Performance Management System</u>
<p>Aug 20 - Distribution by MBE of end of appraisal cycle guidance.</p>	<p>Aug 31 - MBE will provide detailed written guidance on the new system to DOE organizations.</p>
<p>Sept 1-30 - FY 2001 appraisal closeout training provided by MBE.</p>	<p>Sept 4 - 18 - Training for DOE executives and HR staff.</p>
<p>Oct 31 - All performance appraisal completed and FY 2001 performance documentation due to Executive and Technical Resources Division, MBE.</p>	<p>Sept 12 - 30 - Planning discussions take place between SES employees and their managers on FY 2002 performance objectives and expectations.</p>
<p>Nov 14-16 - PRB convenes to review rating, bonus and pay adjustment recommendations. (Secretarial Officers advised of recommendations Nov 23).</p>	<p>Oct 15 - Performance plans for SES drafted and reviewed by the head of the organization before finalized.</p>
<p>Dec 3 - PRB to forward recommendations to the Secretary for final determination.</p>	<p>Oct 30 - FY 2002 SES performance standards signed and in place.</p>
<p>Dec 20 - Final annual performance decisions to be made by the Secretary.</p>	



The Deputy Secretary of Energy
Washington, DC 20585

August 30, 2001

MEMORANDUM FOR UNDER SECRETARY CARD
UNDER SECRETARY GORDON
HEADS OF DEPARTMENTAL ELEMENTS

FROM: FRANCIS S. BLAKE 

SUBJECT: MANAGING HUMAN CAPITAL

At the Department's recent Human Capital Summit we launched a process for identifying, understanding, and addressing key Federal workforce management challenges facing the Department. The goals of this effort are to make the Department an employer of choice, give the Department a competitive edge in recruiting, developing, and retaining top talent, and make the Department more efficient and effective in carrying out its missions. We want to make the Department's workforce, as Secretary Abraham has said, the best in the Federal Government. The five areas identified for immediate action were:

- Performance Management
- Management Efficiency
- Recruitment and Retention
- Diversity
- Leadership Development and Succession Planning

Prior to the conclusion of the Summit, groups of attendees briefed Bob Card, John Gordon and myself on their deliberations and presented numerous proposals for strengthening human capital management. Each of the groups took their charge seriously and generated valuable ideas. The Office of Management, Budget and Evaluation has posted a summary of these proposals at its Human Capital Management web site, at <http://www.ma.doe.gov/pol/hcsindex.html>.

Because the Department's basic workforce readiness and mission-delivery capability are inextricably linked to how well we acquire, develop, and use human capital, it is important that we build on the enthusiasm established at the Summit. To ensure the Department's human capital initiatives continue to move forward, I am directing the Department's managers to focus on several short-term actions listed in the attached plan. In developing and implementing the attached initiatives, the lead organizations will work with the appropriate Summit teams and other key groups (some of which are listed in the attached plan) to assure that the initiatives are responsive to DOE corporate needs. As needed, funding strategies will be developed and submitted to me for approval in support of timely and successful implementation of these short-term initiatives.

I will be asking several of the Department's top managers to assume specific responsibility for leading cross-cutting corporate efforts to improve DOE's workforce planning and management, associated resource strategies, and performance measurements. I will oversee these corporate efforts (with the support of the Office of Management, Budget and Evaluation) and plan to review organizational achievements as part of my Operational Program Review meetings and through other performance evaluation processes.

In closing, I want to reiterate the importance of effectively planning and managing human capital. It is our collective responsibility to actively engage in these challenges as we strive to fulfill the Secretary's vision of making the Department of Energy an employer of choice and the envy of the Federal workforce.

Attachment

cc: The Secretary
Chief of Staff

SHORT-TERM HUMAN CAPITAL IMPROVEMENT PLAN

INITIATIVE

INITIATIVE	TIMEFRAME	LEAD	KEY STAKEHOLDERS
<p>1. SES Performance Management System: Develop a new system that allows for meaningful distinctions among performers, creates stronger linkages between mission priorities and individual performance, rewards leadership including human capital management and diversity, and rewards top performers with top dollars.</p>	October 2001	MBE	<ul style="list-style-type: none"> ✓ Human Capital Summit (HCS) Team on Performance Management ✓ DOE Performance Review Board
<p>2. Workforce Restructuring Plan: Develop a plan, consistent with OMB guidelines, to restructure the Department and to improve management efficiencies in areas such as delayering, streamlined decision making, and redeploying resources to front-line service activities.</p>	September 2001	MBE	<ul style="list-style-type: none"> ✓ HCS Team on Management Efficiency ✓ COO/FMC Councils
<p>3. Human Capital Flexibilities Materials: Develop a scenario based guidebook on recruiting, retaining, developing and rewarding a highly skilled workforce in today's world. The guide will help DOE better utilize available personnel flexibilities and tools. In addition to the guidebook, issue a bi-monthly Human Capital Bulletin to highlight best practices and solutions for unique issues and to provide information about new human resources programs and authorities.</p>	November 2001	MBE	<ul style="list-style-type: none"> ✓ HCS Teams on Recruitment and Retention, Leadership Development, and Performance Management ✓ DOE Human Resources/Training Directors ✓ Federal Technical Capability Panel

INITIATIVE

4. Diversity Programs Improvement Project:

As directed by the Secretary on July 16, 2001, review DOE diversity programs to ensure they support a diverse, respectful, and productive workplace. Supporting activities include:

4a. Issuance of *DOE Diversity Policy Statement* to communicate the Secretary's vision, commitment, and expectations regarding diversity to all employees.

4b. Develop *diversity training* for all DOE employees.

4c. Development of a *DOE diversity-component for DOE management and supervisory training courses*.

4d. Establish a *diversity baseline and measurable standards*.

4e. Establish an *outreach program* to educate and inform minority communities about DOE employment opportunities, programs and procedures.

TIMEFRAME	LEAD	KEY STAKEHOLDERS
December 2001	ED/MBE	<ul style="list-style-type: none"> ✓ HCS Team on Diversity ✓ DOE Diversity Managers ✓ DOE HR Directors ✓ COO/FMC Councils
September 2001	ED	<ul style="list-style-type: none"> ✓ HCS Team on Diversity ✓ DOE Diversity Managers ✓ COO/FMC Councils
December 2001	ED/MBE	<ul style="list-style-type: none"> ✓ HCS Team on Diversity ✓ DOE Diversity Managers ✓ DOE Training Directors
December 2001	ED	<ul style="list-style-type: none"> ✓ HCS Team on Diversity ✓ DOE Diversity Managers ✓ DOE Training Directors
December 2001	ED	<ul style="list-style-type: none"> ✓ HCS Team on Diversity ✓ DOE Diversity Managers
December 2001	ED/MBE	<ul style="list-style-type: none"> ✓ HCS Team on Diversity, Recruitment & Retention ✓ DOE Human Resources Directors ✓ DOE Diversity Managers

INITIATIVE

5. Expanded use of automated human resources systems.

5a. Increase between 30-50% the current DOE-wide use of *Quick Hire*, an automated recruitment system allowing applicants to apply on-line and identifying top candidates in approx. 1/2 the time of manual systems.

5b. All Headquarters non-bargaining unit positions will be handled through the use of Quick Hire

5c. On-Line Learning currently provides DOE employees access to a broad range of courses on-line.

- ▶ Increase the availability of business management and leadership courses by 50%
- ▶ Double the number of On-Line Learning subscriptions to Information Technology courses
- ▶ Expand the number of DOE-specific courses available

INITIATIVE	TIMEFRAME	LEAD	KEY STAKEHOLDERS
5a. Increase between 30-50% the current DOE-wide use of <i>Quick Hire</i> , an automated recruitment system allowing applicants to apply on-line and identifying top candidates in approx. 1/2 the time of manual systems.	December 2001	MBE/CIO	<input checked="" type="checkbox"/> HCS Team on Recruitment and Retention <input checked="" type="checkbox"/> DOE Human Resources Directors
5b. All Headquarters non-bargaining unit positions will be handled through the use of Quick Hire	November 2001		<input checked="" type="checkbox"/> HCS Team on Recruitment and Retention <input checked="" type="checkbox"/> Headquarters Resources Managers/Administrative Officers
5c. <i>On-Line Learning</i> currently provides DOE employees access to a broad range of courses on-line.	December 2001		<input checked="" type="checkbox"/> HCS Team on Leadership Development <input checked="" type="checkbox"/> DOE Training Development <input checked="" type="checkbox"/> Management Committee Working Capital Fund Board

INITIATIVE	TIMEFRAME	LEAD	KEY STAKEHOLDERS
<p>6. Leadership Development Programs: Develop a program to groom high potential employees for SES and other senior leadership positions in the Department.</p>		MBE	<ul style="list-style-type: none"> ✓ HCS Team on Leadership Development ✓ DOE Executive Resources Board ✓ DOE Human Resources Directors ✓ DOE Training Development Management Committee
<p>6a. Develop a DOE-wide Mentoring Program: Program requirements will include training and expectations for executives and high level DOE leaders regarding their involvement in mentoring new and high potential employees.</p>	October 2001		
<p>6b. SES Candidate Development Program: Develop an SES Candidate Development Program for DOE that targets selection and development of high potential employees toward critical mission needs based on expected attrition. This program will have a strong mobility component.</p>	November 2001		
<p>7. DOE-wide Intern Program: Develop a corporate intern program to address DOE-wide needs for increased hiring and development of highly qualified technical and non-technical entry to mid-level candidates.</p>	December 2001	MBE/ED	<ul style="list-style-type: none"> ✓ HCS Team on Recruitment and Retention ✓ DOE Human Resources Directors ✓ Training/Diversity Managers ✓ Federal Technical Capability Panel