United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Transportation and Related Agencies, Committee on Appropriations, House of Representatives

April 1998

DOT'S RESTRUCTURING

Limited Progress in Streamlining Field Office Structure

GAO/RCED-98-138

GAO

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

Resources, Community, and
Economic Development Division

B-279432

April 30, 1998

The Honorable Frank R. Wolf
Chairman, Subcommittee on Transportation
and Related Agencies
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

For several years, we have testified before your Subcommittee that the Department of Transportation (DOT) could realize significant cost savings by restructuring its field organization. DOT has begun examining its field office structure and has identified options for streamlining the more than 1,700 field offices that it supports throughout the United States. At your request, we examined the results of two departmental streamlining efforts—the field office Colocation Task Force and the Federal Highway Administration's (FHWA) Organization Structure Task Force. The Colocation Task Force issued an interim report in November 1996 and identified several potential field offices that could be colocated over the next few years.[1] FHWA's February 1998 report on its regional offices' restructuring called for replacing the agency's nine regional offices with four resource centers.[2] Our report to you provides our observations on the assumptions, limitations, findings, and potential costs savings associated with these two streamlining initiatives.

Results in Brief

The Department's colocation effort will not result in the substantial restructuring of its field offices. The 21-month colocation effort narrowly focused on developing an inventory of the Department's office space in the field and identifying opportunities for the Department's field offices to share space. Few colocations have occurred as a result of the colocation effort, and additional colocations will take years to accomplish. Moreover, colocating offices will likely result in limited short-term dollar savings, if any.

The Federal Highway Administration's proposal to restructure its nine regional offices into four resource centers does not identify any long-term budgetary savings, and estimates are that in the short-term, the proposal

[1]Department of Transportation Co-location Task Force Interim Report (Nov. 19, 1996).

[2]Report to Congress on an Evaluation of the Federal Highway Administration's Organization Structure (Feb. 24, 1998).

might cost the agency more than $10 million to implement. In addition, the proposal leaves many unanswered questions about the differences between the roles and responsibilities of current regional offices and the roles and responsibilities of the four new resource centers. For example, the agency's report notes that most of the regional offices' responsibilities can be delegated to the agency's 52 division offices. However, the agency envisions that the new resource centers will provide training, technical assistance, and supervision similar to that which the current regional offices provide. In addition, the agency will not complete the details on its restructuring efforts until June 1998 and projects that these efforts will take 3 to 5 years to complete.

Background

In 1966, DOT was established to consolidate many widespread federal transportation functions and programs. According to a National Academy of Public Administration study,[3] no reorganization in the history of the federal executive branch involved structural and management issues as complex as those involved in establishing DOT. The programs that would be brought together into one department affected over 95,000 employees and military personnel located in many bureaus and offices. The design of the new department had to fit numerous discrete organizations and programs into a rational structure. However, to ensure that services were not interrupted, the new heads of individual modal (e.g., highway, rail, and aviation) operating administrations carried out the bulk of the new department's responsibilities. Similarly, the existing field structures that DOT inherited were retained. For many years, successive Secretaries have attempted to significantly reorganize the Department with little success. Largely unchanged in structure and purpose since its creation, DOT has also been the object of many reform proposals.

In 1995, DOT proposed to consolidate its 10 operating administrations into 3: a new Intermodal Transportation Administration, which would integrate all surface transportation programs and the civilian operations of the Maritime Administration; a restructured Federal Aviation Administration; and the U.S. Coast Guard. In 1995, DOT's Associate Deputy Secretary and Director for Intermodalism noted that DOT's current structure was costly to operate and hindered the Department's ability to develop creative partnerships, strategic transportation investments, and innovative financing mechanisms. While the 1995 reorganization initiative did not provide a detailed field-restructuring plan, it furnished a general

[3] The Organization and Management of the Department of Transportation, National Academy of Public Administration (Mar. 1991).

framework for decisions affecting field offices. To support its missions, DOT proposed that goals for restructuring field offices should move away from a hierarchical field structure and create better partnerships with state and local organizations. DOT cited, as a goal, the need to minimize management layers between headquarters and field offices and drastically reduce the number of managers and supervisors. Although the Congress did not pass DOT's 1995 legislative proposal for restructuring the Department, it remained concerned about the need to streamline the Department's field structure.

In June 1996, DOT set up a Colocation Task Force to review the Department's inventory of field offices and identify opportunities for colocating field offices. The Task Force is chaired by the Special Assistant to the Deputy Secretary, and members consist of representatives from DOT's Office of the Secretary and Transportation Administrative Services and representatives from each of the operating administrations with field offices. The Colocation Task Force issued an interim report in November 1996 and is expected to issue a final report in the spring of 1998. In May 1997, FHWA set up a task force consisting of FHWA field employees and headquarters staff to review the agency's regional office structure. FHWA issued a draft report on its initial efforts in September 1997 and a final report in February 1998.

Currently, DOT has about 100,000 civilian and military employees and 1,700 field locations with almost 50,000 staff. FHWA has about 3,500 staff—1,090 in headquarters and 2,418 in 9 regional offices and 52 division offices nationwide.

DOT Has Made Limited Progress in Restructuring Its Field Offices

The structure of DOT's field offices will not change substantially as a result of DOT's colocation efforts. Over the past 21 months, the Colocation Task Force, charged with reviewing DOT's field structure, has progressively narrowed its scope by confining its focus to how 532 of the 1,700 field offices could share space and administrative services over a 5-year period. As a result, DOT anticipates that nine field offices would be colocated through 1999 and that limited short-term savings will result. According to DOT officials, colocation will take years to accomplish because of a lack of funds, the amount of lead time required to colocate large offices, and incompatible information and telecommunication systems.

Task Force Excluded Many Field Offices

DOT's Colocation Task Force was charged with reviewing the structure of DOT's field offices and identifying opportunities for colocating field offices.

A Task Force representative from the Office of the Secretary stated that the Task Force was not charged with looking at the integration and consolidation of programs or organizational structure issues. The Colocation Task Force concentrated almost solely on office space issues related to colocation, that is, physically moving field offices to one shared location to reduce space and administrative expenses, such as reception, printing, mailing, and copying. Its accomplishments are limited in part because 1,217 offices—nearly 70 percent of all field offices—were excluded from the colocation study. Although DOT has more than 1,700 offices in the field, the Colocation Task Force's review was limited to the 532 (30 percent) of DOT's field offices that provide customer service or technical assistance. (See table 1.) The remaining 1,217 offices that provide training, research, and special services, such as air traffic towers and radar facilities, were excluded from the study because they did not provide program, financial, or technical assistance.[4] In commenting on a draft of this report, DOT stated that the operational nature of these offices provided a compelling reason for their exclusion from any potential opportunities for colocation by the Task Force.

Using lease expiration dates for existing offices or the dates of the completion of new office space, the Colocation Task Force reviewed the space inventory of the 532 field offices and further narrowed its scope by identifying 160 field offices within 50 geographic locations as potential candidates for colocation over a 5-year period.

Table 1: DOT's Field Offices as of the End of Fiscal Year 1996

Field offices	Number	Percentage of total
Total	1,749	100
Excluded from the study	(1,217)	70
Included in the study	532	30
Potential colocations	208	39
Already colocated	(48)	9
Colocation opportunities (as of Nov. 1996)	160	30

As table 1 indicates, 324 (61 percent) of DOT's 532 field offices included in the study were not considered candidates for colocation, and only 48 were actually colocated at the end of fiscal year 1996. The interim report projected colocations and other inventory actions for only a 2-year period—fiscal years 1997-98. The report indicated that, in the next phase

[4]The interim report recommended that the Department or the operating administration, where appropriate, conduct reviews of the facilities excluded from the colocation report to ensure their efficient use and colocation where possible.

of the study, the Colocation Task Force would be reviewing colocation opportunities beyond 1998, examining the work of other groups reviewing programmatic issues, and proposing colocation strategies.

The Chairperson of the Task Force and other members stated that the Colocation Task Force is not authorized to make colocation decisions or to implement colocations. According to DOT officials, for smaller offices, DOT's Transportation Administrative Services would probably oversee colocation actions in conjunction with lease expiration dates. For larger offices, the Assistant Secretary for Administration or Associate Deputy Secretary, Office of Intermodalism, would oversee these colocations. However, DOT has not yet developed formal procedures for colocating field offices.

Limited Short-Term Dollar Savings Are Projected

The Colocation Task Force's effort will likely result in limited short-term dollar savings, while costs could increase in some cases. According to DOT officials, unless the Congress provides funds to pay for colocating field offices, the Department will have to absorb any additional costs. Few colocations are anticipated in the near term, and the overall reductions in field space projected by the Colocation Task Force for fiscal years 1997-98 are limited. Also, some administrations opened new offices during this period. Moreover, colocations will not be accomplished quickly, and collocation efforts will likely be hampered by funding and technology limitations.

The interim colocation report did not estimate the budgetary savings, if any, resulting from the colocation opportunities it identified; the Colocation Task Force has not tracked or estimated colocation costs. However, Task Force representatives from the Office of the Secretary and Transportation Administrative Services said that relocating offices will cause the Department to incur costs and that, in some cases, rental costs could increase. For example, offices relocating from a suburban area to a downtown metropolitan area would likely incur increased rental costs. Task Force members from the Office of the Secretary and FHWA said that colocation efforts will likely result in long-term savings and other benefits, such as a more unified DOT representation in the field, shared expertise, and improved customer service as a result of "one-stop shopping."

In addition, while the Colocation Task Force identified 160 colocation opportunities, it projected that only two additional offices would be colocated during fiscal year 1997 and that seven additional offices would be colocated by the end of fiscal 1998. In fiscal year 1997, one colocation occurred in Baltimore between the National Highway Traffic Safety Administration and FHWA, and another occurred between FHWA and the Federal Railroad Administration (FRA) in Columbus, Ohio. The seven colocations originally projected to take place in Kansas City, Missouri, in fiscal year 1998 are now projected to occur in fiscal 1999. In addition, the Colocation Task Force identified colocation actions that could be accommodated within existing office space. For example, five FRA offices were projected to close during fiscal years 1997-98, and staff were to be relocated to existing space held by FHWA.

The interim report measured only the benefits of colocation and consolidation activities in terms of the amount of square footage changes in the inventory of field space during fiscal years 1997-98. Our analysis of these data indicates that the estimated savings in square footage are minimal. During this period, colocation, in conjunction with all other space inventory actions[5] such as closing unneeded offices and opening new offices, will reduce the amount of field office space needed by DOT during fiscal years 1997-98 by about 19,400 square feet. This is the equivalent to 0.04 percent of DOT's total field space, as of September 1996.

While the field office space may slightly decline during fiscal years 1997-98, three of DOT's modal agencies—FHWA, the Federal Transit Administration (FTA), and the Research and Special Projects Administration—added five field offices. For example, in fiscal years 1996 and 1997, DOT established three new joint FHWA/FTA metropolitan offices to serve urban customers in Philadelphia, Chicago, and Los Angeles; it will establish a New York metropolitan office in 1998. These four new offices will increase DOT's field space by over 7,000 square feet. According to DOT officials, these actions were taken because of the Department's focus on service delivery and customer satisfaction. Consequently, any benefits from colocation opportunities may be offset by the addition of metropolitan offices.

According to DOT officials, colocations are complicated by a number of factors, making it unlikely that substantial progress will be made in the short term. The interim report indicated that implementing the colocation opportunities identified by the Colocation Task Force will take years to accomplish. Furthermore, Colocation Task Force officials stated that colocation efforts are hampered by the lack of funds needed for expenses

[5]Projected space inventory actions include colocations, relocations, expansions, reductions, closing, and openings.

related to the moves, the amount of lead time required to colocate a number of large offices, and incompatible information and telecommunication systems at some offices. While Colocation Task Force officials stated that little can be accomplished in the short term because the Department needs additional funds for colocation efforts, DOT has not requested additional funds for fiscal year 1999 for these efforts.

FHWA's Proposed Regional Office Restructuring Leaves Many Unanswered Questions

In its February 1998 report to you, FHWA proposed to replace its nine regional field offices with four new resource centers located at sites to be determined by June 1998. Although the proposal is another step in FHWA's restructuring efforts, it leaves many unanswered questions about the differences between the current roles and responsibilities of regional offices and those of the four new resource centers. For example, FHWA's interim restructuring report notes that most regional offices' responsibilities can be delegated to FHWA's 52 field division offices. However, FHWA envisions that the new resource centers will provide training and technical assistance similar to that which the current regional offices provide. During its review, FHWA did not evaluate other alternatives, such as completely eliminating its regional offices because, in part, it determined that the agency needed some intermediate organizational level between its 52 division offices and headquarters. In addition, FHWA will not complete the details of its restructuring efforts until June 1998 and projects that these efforts will take 3 to 5 years to complete.

Need for New Resource Centers Is Unclear

FHWA's interim report recommends transferring some functions currently performed by regional offices to headquarters or specific division offices and relocating most regional staff to either new resource centers, division offices, or headquarters. However, it is unclear from the report how the new resource centers will differ in their roles and responsibilities from those of the current regional offices. For example, according to the FHWA Task Force's report and FHWA officials, the new resource centers will provide a strong customer focus, quality customer service, technical and program assistance, training in and the deployment of technology, intermodal and interagency coordination, leadership in strategic initiatives, legal services, and the supervision of division offices. However, regional office staff currently provide technical and program assistance, training, the deployment of technology, legal services, and the supervision of division office staff. Furthermore, FHWA's report also notes that most of the regional offices' program responsibilities can be delegated to division offices.

Additional Options Were Not Fully Evaluated

FHWA did not fully evaluate a wide variety of options before proposing new resource centers. In May 1997, FHWA officials established the Task Force to evaluate and report on the roles and functions of FHWA's field organization. FHWA's Task Force staff identified and confirmed a series of roles and functions best provided by future FHWA field offices other than division offices. In February 1998, FHWA recommended that it retain its 52 division offices and replace its 9 regional offices with 4 resource centers. Although other options—ranging from totally eliminating any intermediate office structure to having some minimum level of office structure at each existing regional office location—were identified by FHWA's Task Force, these options were not fully considered. FHWA's Task Force officials stated that these options were not responsive to improving the agency's programs and customer services. Furthermore, FHWA's Task Force began its work with the presumption that intermediate offices were needed to provide a link between FHWA's headquarters and division offices. This decision contrasts with congressional concerns over streamlining FHWA's regional offices by eliminating or significantly reducing the agency's regional office structure. For example, in its report on DOT's fiscal year 1998 appropriation, the House Committee on Appropriations questioned the value of FHWA's regional offices and directed FHWA to provide a detailed implementation plan with special emphasis on eliminating or significantly reducing FHWA's regional office structure. In addition, the House proposal to reauthorize the Intermodal Surface Transportation Efficiency Act of 1991 would direct the Secretary of Transportation to eliminate any programmatic responsibility for FHWA's regional offices and would require that the Secretary provide a detailed implementation plan to the House Committee on Transportation and Infrastructure and the Senate Committee on Environment and Public Works no later than September 30, 1998, with additional periodic reports. The Secretary would be required to begin implementation of the plan by December 31, 1998.

Cost Savings Are Unknown

FHWA's report does not estimate any long-term savings resulting from the restructuring of FHWA's regional offices. Furthermore, FHWA officials estimate that in the short term, it will cost the agency money to relocate regional office staff displaced when offices close. As a result, FHWA estimates that relocation costs could be $10 million (about $2 million for each of the five regional offices closed). In addition, these costs do not include additional expenses for office space alterations to accommodate the employees at their new locations or establishing the four new joint FHWA/FTA metropolitan centers in Philadelphia, Chicago, Los Angeles, and New York. FHWA officials did not consider reductions in force but instead concluded that all affected employees who would be willing to relocate would be moved at FHWA's expense.

As of January 1998, FHWA had 449 staff in its nine regional offices. Accordingly, FHWA does not project enough long-term savings to offset the initial relocation costs. However, according to FHWA officials, while short-term costs will increase because of extensive staff relocations, some long-term efficiencies may be possible in the future, such as improved program and technical assistance to division offices, improved program services to customers, and reduced administrative expenses. In commenting on a draft of this report, DOT identified other benefits, such as improved program services to partners and the redeployment of personnel resources to division offices to work on high-priority programs.

Other questions, such as where FHWA will locate the new resource centers, how many regional office staff will be affected, and how FHWA will coordinate the changes with other DOT administrations, remain unanswered. FHWA officials recognize that many issues remain and plan to address them by June 1998. However, FHWA's report notes that it could take 3 to 5 years to completely establish the four resource centers once a final decision is made.

FHWA's Task Force did not evaluate other implementation issues, such as budget implications, the impacts on staff, and the location of resource centers, which could alter the conclusions and recommendations of the conceptual phase of the study. In commenting on a draft of this report, DOT stated that it has identified the basic elements of the agency's intended field structure and does not plan to examine any further options in regard to its field structure.

Agency Comments

DOT provided us with comments on a draft of this report. These comments and our responses appear in appendix I. DOT stated that, overall, our report accurately portrays many of the Department's efforts to colocate field offices and reorganize FHWA's regional offices. However, DOT stated that the report could better recognize that the driving force behind both efforts was improving program delivery and customer service and streamlining the Department's field organization. Furthermore, DOT stated that the objectives of the colocation and FHWA's regional streamlining efforts were not exclusively limited to short-term budget savings but included improved customer service. However, DOT noted that economies could be achieved from both restructuring efforts. Finally, DOT believes that further space reductions need to be tempered by understanding that the Department has already reduced its staffing levels and has reached an overall level that it considers appropriate for providing high-quality customer service.

We added information in the report to describe the other benefits, such as improved program delivery and customer service, that DOT cites as important aspects of its restructuring efforts. We also recognized that the streamlining efforts could achieve budget savings but, in the absence of specific data from DOT, we were not able to specify what exact savings DOT will achieve over time.

Scope and Methodology

We reviewed the Colocation Task Force's Interim Report to the Secretary's Management Council, dated November 1996, and supporting documents and updated information. We also interviewed the Colocation Task Force's members and other DOT staff. We reviewed FHWA's September 1997 interim report and February 1998 final report, obtained supporting documents, updated information, and interviewed FHWA officials involved in preparing the report. We did not conduct reliability tests on the data contained within the reports. However, agency officials told us that they verified the data in the reports with individual operating administrations and that they considered the data to be the best available at the time. We conducted our review from October 1997 through March 1998 according to generally accepted government auditing standards.

As arranged with your office, unless you announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this report. At that time, we will make copies available to interested congressional committees, the Secretary of Transportation, and the

Administrator, FHWA. We will make copies available to others on request. If you have any questions, please contact me at (202) 512-2834. Major contributors to this report were Joseph Christoff, Teresa Dee, Lena Natola, John Rose, and Phyllis Scheinberg.

Sincerely yours,

John H. Anderson, Jr.

John H. Anderson, Jr.
Director, Transportation Issues

Comments From the Department of Transportation

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U.S. Department of Transportation

Assistant Secretary for Administration

400 Seventh St., S.W.
Washington, D.C. 20590

April 15, 1998

Mr. John Anderson
Director, Transportation Issues
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Anderson:

Enclosed are two copies of the Department of Transportation's comments on the GAO draft report, "DOT's Organizational Restructuring: Limited Progress in Streamlining Field Office Structure," RCED-98-138.

We appreciate this opportunity to review and comment on the draft report. Please contact Martin Gertel on (202)-366-5145 if there are any questions concerning our comments.

Sincerely,

Melissa Spillenkothen

Melissa Spillenkothen

Attachment

Department of Transportation
Comments on GAO Draft Report
"DOT's Organizational Restructuring:
Limited Progress in Streamlining Field Office Structure."
RCED-98-138

Overview

The report characterizes two ongoing efforts in the Department involving our analysis of opportunities to collocate field offices on an intermodal basis, and FHWA's examination of its regional office structure. Although many aspects of our efforts are accurately portrayed in the draft, we have several significant issues for consideration in preparing the final report. In particular the report could better recognize that the driving force behind both the collocation effort and FHWA's intermediate field structure reorganization was to improve program delivery and customer service and to streamline field organization, and was not exclusively limited to short term budget savings. While cost reduction was not a primary consideration in these efforts, economies may be achieved as a result of both efforts. In particular, FHWA cost analyses indicate that long term savings can be realized. Finally, expectations regarding the scale of any further space reductions need to be tempered by understanding that the Department has already reduced staffing commensurate with National Performance for Review (NPR) goals, and has reached an overall staffing level it considers appropriate for providing high quality customer service.

Collocation Effort Focused on Space and Administrative Efficiency

In an effort to ensure that the Department was providing the best possible program delivery and customer service in an efficient and effective manner, the surface modal administrations initiated a joint effort to improve program delivery through streamlined processes and one-stop shopping for our customers and partners, for example, and to increase administrative resource sharing in the field. This multifaceted effort addresses a full range of issues impacting effective customer services in the field. These include intermodal planning, safety activities, technical assistance, administrative resources, and field office collocation.

See comment 1.

The primary objective of the collocation task force, as part of this overall effort, is to identify opportunities to improve service delivery and achieve administrative efficiencies where possible by examining the potential for collocation. The collocation task force's mission was limited to inventorying administrative office space and identifying offices that are potential candidates for collocation based on use, space, location, and lease schedules. These opportunities were also screened to ensure that collocation could enhance program delivery and improve customer service. Therefore, the draft report's conclusion on page 4 that the structure of DOT's field offices will not change substantially as a result of our collocation efforts raises an objective that was not part of the collocation task force mission.

Now on p. 3.

See comment 2.

The collocation task force's efforts appropriately focus on the 532 field offices that may be potentially amenable to collocation. The task force concluded that the remaining 1,168 field facilities had compelling reasons for their existing location and were not candidates for collocation. Many of these field facilities are not offices in the traditional sense, but rather are facilities used for a specific operational function. These include air traffic control towers, Coast Guard small boat rescue stations, and supply depots. Given the operational nature of the remaining 1168 facilities, the collocation task force did, however, recommend that operating administrations initiate reviews to determine if additional collocation and space savings could be achieved with operational facilities including research and development, training, and warehouse facilities. We ask that GAO revise the language in the draft report which implies that the Department was somehow remiss in focusing collocation consideration on the 532 facilities. As currently drafted, the report implies that these actions unnecessarily limited the results of our efforts.

See comment 3.

The Department views its collocation efforts and the creation of Metro Offices as essentially prototypical efforts with an eye toward improving customer service and increasing efficiency. Although the GAO draft report is critical of the limited progress achieved to date, we consider this effort appropriate and realistically paced. The concepts behind these combined operations are new, and prudence dictates that we ensure that the concepts are valid and effective in achieving our objectives, before they are disseminated widely. As we accumulate experience with these models, and evaluate their results in a logical and orderly manner, a determination will be made regarding their further implementation.

FHWA Proceeding with Streamlined Field Structure

See comment 4.
Now on p. 8.

FHWA has embarked on an effort to substantially restructure its regional office organization. Although page 11 of the GAO draft report indicates that FHWA may have peremptorily dismissed some organizational options such as the no-region level option, we emphasize that FHWA fully and appropriately considered the full range of alternatives. In fact, FHWA's plan, which will eliminate all nine regional offices and create four resource centers embodies the essential elements of the no-region level option that the GAO report indicates was not adequately considered. The draft report expresses concern, on pages 2 and 9, that the resource centers may continue to perform some functions now performed by regional offices. FHWA has concluded that some of the existing regional office functions, such as training and technical assistance, can best be performed by an intermediate level organization with a broader perspective and in a manner that enables it to capture efficiencies of scale.

Now on pp. 2 and 7.

The resource centers will differ substantially from the existing regional office structure. Virtually all remaining program approval authority presently retained in the regional offices is being delegated to the division offices, removing a layer from our decisonmaking structure. By eliminating all nine regional offices, redelegating authorities, and restructuring the core functions that will be performed by the resource centers, this plan embodies the essential elements of the no-regional office alternative and will provide FHWA with tools it needs to effectively accomplish its mission.

See comment 5.

FHWA questions the draft report's conclusion that it will not achieve long term budget savings as a result of its field office restructuring efforts. While there may be initial implementation costs resulting from personnel and space changes, FHWA cost analyses have shown that long term savings can be achieved from potentially lower rental and communications costs. In addition, FHWA expects to achieve other significant benefits from this revised structure, such as those identified in the draft report. These benefits include improved program services to customers and partners, more effective technical support to division offices, redeployment of personnel resources to division offices to work on high priority programs, and reduced administrative expenses. These accomplishments are significant and we ask that the draft be revised to afford them appropriate recognition.

See comment 6.

FHWA has identified the basic elements of its intended field structure, and contrary to a statement in the report, it does not plan to examine any further options in regard to its basic field structure. It is committed to making these changes and has already begun the process of delegating additional authorities to the division offices as part of its initial implementation of the restructuring proposal. We expect these redelegations to be issued in April.

The following are GAO's comments on the Department of Transportation's (DOT) letter dated April 15, 1998.

GAO's Comments

1. In its comments, DOT stated that the primary objectives of the Colocation Task Force were limited to improving service delivery and achieving administrative efficiencies. Therefore, DOT stated that we cannot conclude that DOT's field structure will not change substantially as a result of DOT's colocation efforts. First, we have not misrepresented the objectives of the Colocation Task Force. Our report stated that the Task Force was not charged with looking at program integration, consolidation, or organizational structure issues and concentrated almost solely on office space issues. Second, in the Colocation Task Force's November 1996 interim report, the Department envisioned several potential accomplishments for its field restructuring efforts, including a reduction in field office locations, streamlined inventories, and enhanced customer service.

2. DOT stated that our report implies that the Colocation Task Force was remiss in focusing colocation efforts on only 532 of 1,700 field offices. DOT noted that many of the excluded field offices are important air traffic control or Coast Guard facilities that cannot be colocated with other facilities, thereby making their exclusion from the Colocation Task Force's study reasonable. We have added information to the report to more accurately explain the reasons why DOT excluded several facilities from its review. However, our report describes how the Colocation Task Force progressively narrowed the scope of its decision-making. The 532 offices that the Colocation Task Force reviewed were reduced to a review of only 160 field locations. The 160 locations were further narrowed to only 9 offices that might be colocated by the end of fiscal year 1999. With such limited opportunities, it is difficult to envision DOT's achieving its cost saving or customer improvement goals.

3. DOT believes that it has made "realistically paced" progress through its Colocation Task Force and the creation of prototypical metropolitan offices. After almost 2 years of study, DOT's colocation efforts to date have resulted in savings of only 19,400 square feet of field office space, which equals 0.04 percent of DOT's total field space. This is limited progress, at best.

4. DOT disagreed with our statement that FHWA did not fully consider a "no-regional office" alternative because the agency's decision to create

four resource centers and delegate regional offices' program responsibilities to division offices "embodies the essential elements of the no-regional office alternative." We disagree that the plan put forward by FHWA embodies a no-regional office alternative. According to FHWA documents, FHWA decided to retain an intermediate field level and therefore did not fully evaluate several scenarios, including a no-regional office alternative. This presumption precluded FHWA from fully considering the no-regional office alternative. More importantly, the results of FHWA's decision—that four proposed resource centers will be located in four of FHWA's current regional offices and employ current regional office staff—reinforce this view. A no-regional office alternative would have eliminated any intermediate level between FHWA's division offices and headquarters.

DOT also disagreed with our draft report's observation that the differences in roles between the current regional offices and proposed resource centers are unclear. We amended the report to more accurately reflect our concern that the need for the proposed resource centers is unclear. FHWA proposes to delegate most of the regional offices' program authority to the division offices, and FHWA will retain only training and technical assistance for the proposed resource centers.

5. FHWA disagreed with our observation that the agency will not achieve long-term budget savings as a result of its regional office restructuring. FHWA believes that while there may be initial implementation costs resulting from personnel and space changes, some long-term cost savings can be achieved from potentially lower rental and communications costs. During the course of our review, we asked DOT and FHWA officials for detailed cost estimates related to their colocation and regional office restructuring. The officials indicated that long-term savings can be realized but did not provide any dollar estimates. However, we did add information to the report that represents FHWA's expectation of other benefits such as improved program services to partners and redeployment of personnel resources to division offices to work on high-priority programs.

6. DOT commented that FHWA has identified the basic elements of its intended field structure and does not plan to examine any further options. Therefore, we have revised the report to reflect this comment.

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