



Message from the Secretary of Energy

2006 Presidents' Management Agenda Update



Five years ago, President Bush challenged the Federal government to make itself more efficient, more effective, more results-oriented and more accountable to the taxpayers. The President recognized that “government likes to begin things. But good beginnings are not the measure of success. What matters in the end is completion. Not just making promises, but making good on promises.”

The President’s Management Agenda (PMA) has been the Department of Energy’s framework for transforming our management culture and focusing on results. Over the last year, we have intensified our efforts to improve in some key functional areas.

We have crafted a new strategic plan that will serve as our roadmap to improve both national security and energy security of America for generations to come. We have launched an initiative to fundamentally transform the human capital management function of the Department, which is essential to attracting and retaining the talent necessary to accomplish our mission. Significant improvements have been made to the management of the Department’s Real Property portfolio valued at nearly \$192 billion. And we have also refocused our efforts to improve financial performance and remediate a number of financial management challenges.

Deputy Secretary Clay Sell and I are proud of the progress the Department’s Federal and contractor employees have made in implementing management reforms over the last year. While many challenges remain, a solid foundation has been established. Working together, we are confident that we will continue to transform the Department into an organization that makes good on its promises and delivers results for the Nation.

Samuel W. Bodman

Photo: Secretary Samuel Bodman with President George Bush in the Roosevelt room of the White House. White House Photo



Innovation in Managing Human Capital



The Department has continued its efforts to improve the state of human capital throughout the organization. As a part of these efforts, the Department revised its Human Capital Management Strategic Plan to address future organizational needs, work force size, skill gaps, performance management systems, and diversity.

During the past year, implementation of the human capital plan has yielded significant results. For example, the Department has continued its comprehensive analysis of critical mission-related skills and occupations. To close skills gaps in two mission critical areas, project and contract management, the Department instituted rigorous certification programs for project and contract managers. Through these programs, the Department's project and contract managers must meet stringent technical, educational, and experience standards to qualify for a project or contract management position. Eighty-six percent of contract managers are currently certified. Of major significance is the fact that as of May 2006 all Federal project directors for the Department's capital asset and operating projects have completed the necessary training and other requirements to become certified. Additionally, efforts continue to quantify the skills gaps in other critical mission areas such as contract and financial management, as well as human resource management. Furthermore, the Department, through the National Nuclear Security Administration (NNSA), has participated with the Office of Personnel Management in a "beta test site" process to showcase NNSA's better performance management programs with a view to identifying features that should be implemented on a Department-wide basis.

To re-tool its work force, the Department continues to vigorously use Voluntary Separation Incentive Payment and Voluntary Early Retirement Incentive authorities. Fifty-four percent of the Department's organizations are currently using these authorities to consolidate positions and phase out skill-sets that are no longer needed, providing the opportunity to recruit employees with skills critical to the Department's mission. Furthermore, the Department's performance management and award systems have been strengthened by directly linking performance ratings with mission goals and holding employees accountable for results. To effectively distinguish between various levels of performance, and as a part of its efforts to implement a multi-level performance management system, the Department has eliminated the pass-fail performance systems that had covered approximately 38 percent of its employees and replaced them with a Performance Measurement System which recognizes and rewards excellence.

The Department views the projected increase in retirements to be an opportunity for reshaping our workforce into one with skills in such mission-critical areas as project and contract management. To prepare, the Department has determined the kinds of skills that will be needed to achieve our varied missions and has developed plans to recruit, retain, retrain, and/or outsource to build the required skill mix. Examples of recruitment initiatives include a career intern program established to attract new talent into the National Nuclear Security Administration and the SES candidate development program, designed to identify future leaders.

Photo: Deputy Secretary Clay Sell (center) receives an explanation of Oak Ridge National Laboratory nuclear energy technologies during a visit to the lab's Radiochemical Engineering Development Center.



Innovation in Managing Human Capital

These above results have been accomplished while reducing the under representation of the DOE workforce and providing greater opportunities for women and minorities. For example, the overall number of Hispanics in the DOE workforce has increased to 886, or 6.67% of the DOE workforce. This represents a real increase in the number of Hispanics in the workforce over the same time period last year and an increase from 6.14% of the DOE workforce in 2002. The total number of minorities in the SES corps has increased from 50 to 55 in the past year, and is up from 46 in 2002. Minorities now represent 13.6% of the SES corps, versus 11.14 percent in 2002 and 12.56 in 2005. Also, within the GS-14 and 15 workforce, women now represent 29% of the workforce, up from 28.09% in 2005 (from 1169 to 1205), and up from 26% in 2002 (total of 1154). In addition, the Department has worked closely with the Walter Reed Medical Center to support the Transition Assistance Program for soldiers wounded primarily during their service in Afghanistan and Iraq. The Department will continue to develop and implement strategies for recruiting and retaining women, minorities, and persons with disabilities.

As a result of all of the efforts described above, the Department has made significant gains in reshaping three of its largest components to improve accountability, efficiency, and performance. Since 2001, the Department has reduced its total work force by over 9.5 percent (from 14,688 to 13,279 employees); trimmed the number of senior executive service (SES) employees by over 6 percent (from 432 to 404 executives); and continued to maintain a reduced non-SES senior staff of a 9.4 percent reduction over 2001 levels (from 4,585 to 4,153 employees). These reductions were made while management has been measurably improved as demonstrated on scorecards issued by OMB.

Innovation in Competitive Sourcing

The Department of Energy has been a leader in the area of Competitive Sourcing, being one of the first agencies to earn a “green” status score from the Office of Management and Budget for its Competitive Sourcing Program. Recently, DOE has developed the first detailed civilian agency guidance for post competition award accountability and established the parameters for legal support of contests.

The goal of the Department’s Competitive Sourcing program is to use the benefits of competition to improve efficiency, reduce costs to the taxpayer, improve service delivery, and enhance program performance. Since 2002, the Department has completed eight Competitive Sourcing studies covering 1,225 federal and over 1,400 contractor equivalent positions that are expected to save the Department \$538 million over a five- to seven-year period.

The studies pitted Federal employees in a head-to-head competition with the private sector in the following areas: Graphics, Financial Services, Civil Rights Review, National Nuclear Security Administration Logistics, DOE Logistics, Human Resources/Training, Information Technology, and the Department’s New Brunswick Laboratory.

The Department’s in-house teams have won six of these competitions, including a large competition to deliver information technology services. This competition resulted in a consolidation of the Department’s IT infrastructure and architecture which resulted in an expected savings of \$432 million over a seven-year period.



Innovation in Competitive Sourcing

In September 2005, the Department announced a new study involving 72 positions. This study, which covers positions at the Albany Research Center, will be completed by March 2007. The study is expected to reduce the costs of operating the center, which provides research and development on materiel services to the Department as well as other agencies. DOE also approved for submission to OMB its first High Performing Organization (HPO) as an alternative to competing commercial activities under the Competitive Sourcing program. This HPO on the Office of Legacy Management involves more than 80 FTEs and is expected to generate \$15 million in savings over five years through business process re-engineering and associated streamlining efforts.

In FY 2007, the Department will continue to ensure that Competitive Sourcing is carefully and consistently considered as a management tool for enhancing performance and reducing costs. The Department will continue to evaluate opportunities and will launch feasibility reviews as such opportunities arise. In addition, we will seek to identify and evaluate other HPO opportunities.

To ensure that winning bidders fulfill the commitments made in their proposals, the Department has established an Independent Verification and Validation process to certify that the winner of a competition is meeting the promised performance and cost targets. In March 2006, the Independent Verification and Validation review was completed on the winner of the NNSA Logistics study. The winning service provider was determined to be operating within the cost and scope of the Letter of Obligation. Lessons learned from that review have been used to further strengthen the Competitive Sourcing program.

Innovation in Financial Performance

Over the past year, the Department refocused its efforts in the area of financial performance. While continuing to meet accelerated financial reporting deadlines, an aggressive plan was implemented to mitigate and remediate a number of financial management challenges that were identified by the Department and its independent auditors. On the heels of converting to a new Standard General Ledger compliant financial accounting system during FY 2005, this remediation plan has already resulted in improvements in the underlying business practices used by the Department.

For example, in January 2006, a new automated cost accrual system was put into place which routinely accrues cost on the thousands of outstanding obligations that are resident in the system. Accruals had previously been accomplished on a site-by-site basis and were inconsistently applied. This new standardized methodology not only allows invoice approving officials to make appropriate adjustments to the accruals using an existing invoice notification system, but also has improved the accuracy, consistency, and reliability of the data resident in the accounting records, as evidenced by the \$400 million in cost accruals recorded in just one month that otherwise may not have been accurately recorded.



Innovation in Financial Performance

To consistently improve the availability and reliability of financial data, the Department continues its aggressive effort to build and improve an integrated business management system – I-MANAGE. The initial components of this system, a data warehouse and a finance/accounting system, were successfully deployed in January and April 2005, respectively. Budget and procurement modules are being developed for deployment over the next few years. I-MANAGE improves decision-making by providing managers with just-in-time data at their desktop. I-MANAGE is also expected to produce benefits by integrating data systems, thereby reducing the need for duplicate data entry as well as reconciliation of data from multiple sources. Additional efficiencies will result from eliminating redundant systems.

To ensure Departmental stakeholders are provided the most accurate and timely financial information, the I-MANAGE Data Warehouse (IDW) improved report timeliness and accuracy by increasing its data update cycle of Federal financial data from monthly to daily. This allows users to make better informed decisions with the most current information, thus making a performance impact immediately. In addition, the IDW is piloting a new tool that will allow the integration of financial and performance information and a dashboard that will provide Key Performance Indicators to managers across DOE, ensuring consistent and comparable trend analysis and facilitating better performance measurement and decision-making.

To improve financial performance and project management, the Department enhanced the use of Earned Value Management (EVM) techniques that objectively track physical accomplishment of work and provide early warning of performance problems. It has been determined that projects with a certified EVM system are far more likely to stay within planned cost and schedule. The Department instituted a certification process for its contractors' EVM systems which will improve the definition of project scope, prevent uncontrolled changes in project scope, communicate objective progress to stakeholders, and keep project teams focused on achieving progress.

To improve management of real property data and maintain the accuracy of all 20,000 real property assets, the Department established a framework of internal controls based on application of OMB Circular A-123 "Management's Responsibility for Internal Control." Although there are many control elements identified in the framework, a key element is statistical validation of site level data. To do this, the Department established a standard validation process and prepared a formal class to teach the process. To date, validations have been carried out at eight major sites and other sites have conducted their own internal validations. As a result, the real property data used in management decision-making is the most accurate it has ever been and continues to improve. This internal control framework is improving the Department's real property data, resulting in better decision-making. Although the benefits of improved real property data are realized under the Real Property Management Initiative of the PMA, this activity demonstrates how the Department is linking these important initiatives to overall management performance.



Innovation in E-Government

The Department has implemented E-Government at DOE to drive toward improved information technology management, including improved cyber security.

In the last four years, the Department has improved information technology management by reenergizing the Information Technology Council that is responsible for reviewing IT investment business cases, overseeing project performance and ensuring the remediation of poorly performing projects. A comprehensive IT project managers' certification program has been established to ensure vigorous project management. Policy and procedures for earned value management for IT projects have been documented and implemented to reduce risk and improve project performance. By establishing an Enterprise Architecture that aligns to the Federal Enterprise Architecture, DOE has ensured that all Department IT investments follow a comprehensive Modernization Roadmap. DOE has supported the reduction of redundant processes government-wide by participating in 18 of the 24 e-Government initiatives, as well as E-Authentication and the nine Lines of Business established by the Office of Management and Budget.

DOE has taken significant steps to improve the Cyber Security posture of the Department. An important step in this effort was development of a Department of Energy Cyber Security Revitalization of Cyber Security Plan. The Plan, developed under the leadership of the Chief Information Officer and the Under Secretaries, is now being implemented so that long-standing, systemic weaknesses in protecting DOE's information and information systems are being resolved. The plan identifies both short-term and long-term goals that are specifically targeted to create a more consistent, Department-wide approach to cyber security management.

Highlights of E-Government accomplishments include:

- *Established a Process to Monitor Information Technology (IT) Project Development Performance.* All major IT projects are reviewed quarterly to ensure that any cost and schedule overruns and performance shortfalls average less than ten percent against approved baselines.
- *Established a Rigorous Process to Review Proposed IT Projects.* IT projects over \$5 million, identified as major investments, are subject to a rigorous review process. The process requires the review and approval of recommendations by the Office of the Chief Information Officer (OCIO) IT Council and approval by Departmental senior management during the Corporate Program Review phase of the annual budget formulation process.
- *Established an Earned Value Management (EVM) Policy and Oversight Process.* The Department established EVM policy and guidance and designated a project office to oversee the implementation and certification of EVM for major IT investments. All major IT projects required to submit monthly EVM performance reports.



Innovation in E-Government

Highlights of E-Government accomplishments include:

- *Established Governance Review Process for Enterprise Architecture and Investment Alignment.* Governance includes establishment of an Architecture Review Board, coordination with the IT Council to review and recommend approval of EA, and the alignment of IT investments with the enterprise architecture. IT projects are reviewed to ensure that they map to the Department's enterprise architecture and the Federal Enterprise Architecture. Previously, this level of rigor was not applied, which resulted in a lack of standardization and insufficient benefit from enterprise-wide management planning.
- *No DOE IT Business Cases appear on the OMB Watch List.* To date, DOE has successfully removed all major IT business cases from the OMB Watch List for FY 2007, ahead of the deadline. The Watch List includes IT investments that OMB has determined do not have an adequate business case and, therefore, need corrective actions and remediation.
- *Cyber Security Incident Reporting* – The Department has implemented mandatory cyber security incident reporting requirements for all Departmental Elements, including the requirement to report negatively if no incidents have occurred in any given reporting period. Cyber security incidents are reported quickly, as appropriate, to the DOE incident handling center, and, from there, to the DHS US-CERT.

Innovation in Budget and Performance Integration

*T*he Department of Energy is in the process of developing a new Strategic Plan. This plan will be used as a roadmap to address the energy, environmental, scientific, and nuclear security challenges facing our country.

The heart of the plan is founded on innovation through science-driven development of new technologies. It outlines DOE's commitment to energy diversity and efficiency through a collection of domestic fuels and technologies, including bold new initiatives in nuclear, coal, biomass and solar energy. The plan renews and extends our commitment to the environment and the resolution of the legacy of nuclear waste and spent nuclear fuel while supporting a clean energy future. It also emphasizes the Department's steadfast commitment to meeting the national security interests of the United States through a reliable and responsive nuclear weapons stockpile and preventing the acquisition of nuclear and radiological materials. The Strategic Plan supports Budget and Performance Integration (BPI) by focusing on outcomes, reflecting spending priorities and demonstrating to the American people the Department's commitment to using taxpayer's dollars wisely.

The Department's five-year planning initiative supports the new Strategic Plan by providing a longer-term focus on results. The initiative promotes additional discipline in the budget process, prioritizes limited resources, and improves Departmental performance by increasing focus on the mission's critical activities required to meet DOE's strategic goals and objectives.



Innovation in Budget and Performance Integration

To ensure enhanced integration with the 2006 Strategic Plan, the FY 2008-2012 multi-year planning process was revised. The Corporate Review Budget was replaced with the Corporate Program Review (CPR) which improves the Department's decision-making process, making it more meaningful by inserting a program review phase.

This new phase bridges the gap between DOE's overarching strategic vision and the more detailed budget justifications. In a series of meetings with Program Secretarial Officers, the Deputy Secretary and senior leadership reviewed the program priorities in conjunction with independent CFO recommendations. This review culminated in Program Decision Memoranda (PDM) which documented key programmatic direction and reallocated DOE resources to satisfy mission priorities, resulting in a balanced portfolio that reflects the Department's Vision.

DOE and OMB have worked collaboratively to complete a Program Assessment Rating Tool (PART) review for 46 of the Department's 53 programs (87%). This year, six additional programs are being PART reviewed, bringing the total reviewed to 94 percent. Since 2002, DOE's average PART score has steadily improved from Adequate to Moderately Effective. DOE is also leading the government in the number of Effective and Moderately Effective programs.

DOE has used PART to evaluate its programs to ensure they continue to achieve results. **Examples of how PART is used include the following:**

- *Ensures alignment to the Strategies of the Department.* A PART review looks at whether a program's outcomes and resource allocations are consistent with DOE's Strategic Plan. For example, the Building Technologies Program develops technologies, designs, codes and standards for making residential and commercial buildings and equipment more energy efficient. The program funds research, training and public education efforts carried out by national laboratories, universities and private companies. The PART review indicated the need to redirect existing funding from lighting R&D towards high-risk, high-payoff technologies that support the Department's proposed Solid State Lighting Initiative. In response to this PART finding, the FY 2005 and FY 2007 budget requests redirected \$1.5M and \$2M, respectively, to solid-state lighting from the existing lighting R&D.
- *Ensures that each program has long-term and immediate goals.* A PART review determines if a program is outcome-focused and is achieving near-term results. It also shows whether the near-term results will lead to the program's desired long-term outcomes. For example, the Office of Science is the single largest U.S. supporter of basic research in the physical sciences. Basic research is characterized by the careful and methodical experimentation that usually takes many years to produce a meaningful outcome. Unlike other endeavors where outcomes are clearly defined and scheduled, scientific discovery is uncertain in both what is to be learned and how long it will take. At the same time, basic research serves as the backbone for future developments that provide for our national security, health, and energy self-sufficiency. Through the PART process, Science was able to develop a means to measure progress towards the long-term goals of its programs. PART has helped Science set results-oriented long-term and near-term goals, as well as foster a new way of thinking about its programs.



Innovation in Federal Real Property Management

*T*he Department of Energy owns and maintains a real property portfolio with a replacement value of about \$77B. This portfolio includes the National Laboratories, 20,000 facilities and 3.1 million acres of land. Effective real property management is critical to the efficient maintenance and operation of these assets entrusted to the Department.

In Fiscal Year 2005, the Department achieved a major milestone in real property management by issuing the Asset Management Plan providing the guidelines and principles for managing the real property portfolio. This year, the Department went even further by preparing an implementation document (the “Three Year Rolling Timeline”) outlining specific activities meant to achieve the goals of the Asset Management Plan.

To manage a real property portfolio the size of the Department’s requires reliable data. This past year, the Department continued its improvement of its Facility Information Management System and satisfied the Federal Real Property Council’s (FRPC) goal of 100% reporting of all data elements. Further, the Department implemented a statistical validation program to ensure the integrity of the real property data and better support real property decision-making.

As missions change and sites age, facilities become excess and require disposal. Disposal of excess sites and facilities is another area where the Department of Energy continues to be a model within the Public Sector. Since fiscal year 2002, the Department has disposed of over nine million square feet of excess real property and continues to dispose of unneeded assets.

We continue to make progress in Real Property Management. The strong processes and procedures that have been developed and are being implemented within the Department will allow us to eliminate waste and free up critical resources, while providing safe and quality work places that are aligned and supportive of our mission requirements.

Conclusion

*T*his President’s Management Agenda update shares highlights of the Department’s accomplishments in each of the five government-wide initiatives. By continuing our progress in these important areas, DOE is better prepared to deliver the results expected of us.

Over the past five years the President’s Management Agenda has helped DOE begin to transform its management culture. These changes are making us better prepared to succeed as we face the challenges which lie ahead.

Working together we will ensure that we remain focused on the bottom line and on achieving results.