OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

AUDIT REPORT

DOE-OIG-20-25 February 2020

CONSOLIDATION OF THE DEPARTMENT OF ENERGY'S OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

Department of Energy
Washington, DC 20585

February 3, 2020

MEMORANDUM FOR THE CHIEF HUMAN CAPITAL OFFICER

FROM: Bruce Miller
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for Audits and Inspections
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on the "Consolidation of the Department of Energy's Office of the Chief Human Capital Officer"

BACKGROUND

In 2013, the Office of the Chief Human Capital Officer (Human Capital) examined the Department of Energy's state of Human Resources (HR) service delivery. The resulting report, *HR Service Delivery Study* (September 2013), made a recommendation to strengthen the accountability of Human Capital. Subsequently, Human Capital created four consolidated shared service centers (SSCs) to replace the 17 separate HR offices across the complex.[1] In November 2013, the Secretary of Energy approved the study's recommendations. We initiated this audit to determine whether the Consolidation of the Department's Human Capital met the intended goals.

RESULTS OF AUDIT

While Human Capital management achieved some efficiencies during the Consolidation, our audit made observations indicating that the Consolidation of Human Capital had not achieved its intended goals. Key performance metrics that were not on track include:

- Goal to Reduce Costs: Decrease the cost of the HR line of business to be 50 percent more efficient by October 2018.
    - Status: We noted that the Department was not on track to decrease the cost of the HR line of business. Human Capital reported a total cost reduction from approximately $92.5 million in fiscal year (FY) 2013 to approximately $68 million in FY 2017, the most recent year for

[1] In October 2018, Human Capital further consolidated down to three SSCs.

which the cost data was available.[2] While this was a significant decrease (26 percent), we concluded that Human Capital would have needed to reduce costs by an additional $22 million in FY 2018 to meet its goal.

- Goal to Improve Efficiency: Bring the average number of Department employees served by each HR staff, known as the HR servicing ratio, to 1:65, or one HR staff for every 65 employees by October 2018.

    - Status: We noted that the Department's reported servicing ratio for FY 2017, the most recent year available, was 1:33[3], which is much lower than the Government-wide average of 1:56[4].

- Goal to Improve Customer Satisfaction: Increase customer service consistency and effectiveness.

    - Status: Human Capital could not demonstrate that the Consolidation had increased customer satisfaction. In fact, Human Capital Management Accountability Program audit reports for two of the SSCs found that there had been a decrease in customer satisfaction since the start of the Consolidation. Although the reports did not quantify this decrease, both reports stated that some supervisors felt the new SSC concept was not as effective in delivering HR services and the Consolidation had made recruitment, classification, and advisory services longer than prior to the introduction of the SSC concept.

Human Capital intended to reduce the number of Human Capital Management Accountability Program audits with significant findings. However, we were unable to arrive at a conclusion on this goal due to the limited number of audits that had been conducted since the Consolidation and the lack of comparability amongst the audits conducted before the Consolidation with those conducted after the Consolidation.

Also, we noted data quality concerns in another key performance metric, Time-To-Hire data. In particular, a Human Capital management official stated that HR staff was not consistently entering Time-To-Hire data or entered skewed Time-To-Hire data. Human Capital officials also informed us that they had revamped how this data was being collected in order to more closely

[2] Human Capital officials stated that prior to introducing the first SSC in October 2015, there was a reduction in HR costs of approximately $23 million, primarily in Human Capital labor costs. However, based on our analysis, we were not able to fully associate this reduction in labor costs to the Consolidation. In fact, we found that at least some of the reduced costs may be attributable to Human Capital moving a number of activities to the Working Capital Fund.
[3] This servicing ratio included the National Nuclear Security Administration, which was not part of the Human Capital Consolidation.
[4] While we acknowledge that the calculation of this ratio may be handled differently by various agencies, we obtained this Government-wide average from the General Services Administration as part of its cross-agency benchmarking initiative.

align with Office of Personnel Management guidance. However, because of the data quality concerns and the changes to the manner in which data is collected, we were unable to draw any conclusion on whether performance under this metric had improved.

Additionally, we noted issues that made trending of progress difficult. In particular, we reviewed results from both the *2016 Human Capital Satisfaction Survey for Hiring Managers* as well as the *2018 Human Capital Satisfaction Survey* and found that they were not always comparable. When asked, a Human Capital official stated that the 2018 survey was re-designed and included questions on subjects not included in the 2016 survey, such as policy, training, development, and budget. Also, while the 2016 survey was sent to both managers and employees, the 2018 survey was only sent to managers. Accordingly, Human Capital management could not trend changes on Human Capital satisfaction over time.

Finally, we observed challenges in the training of Human Capital personnel. Specifically, multiple Human Capital personnel informed us that those HR staff re-assigned as a result of the Consolidation had not been properly trained for their new roles. Subsequently, Human Capital developed a Competency Development Roadmap for HR employees, which outlined employee development plans. However, this was not issued until January 2018, almost 4 years after the initial Implementation Plan was established.

According to Human Capital, the Department spent over $10 million to implement the Consolidation from FY 2014 through FY 2017. However, based on our observations, the Consolidation was not on track to meet its intended goals.

PATH FORWARD

We recognize the significant challenge that Human Capital management undertook when it restructured the Human Capital organization to better serve the Department. A great deal of change and progress has already been achieved. However, work remains to be done to achieve Human Capital's goals. Further, in February 2018, Human Capital proposed the next phase of Consolidation. As part of this second Consolidation, the Management and Performance SSC, and the Science and Energy SSC, were merged to further reduce HR costs and improve efficiency. This report does not make recommendations, since management is continuing to move its reforms forward and planning to set new target goals. Therefore, we suggest that management pay additional attention to how it intends to measure its progress and to take additional steps to ensure its metrics use quality data.

Attachments

cc: Chief of Staff

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

We conducted this audit to determine whether the Consolidation of the Department of Energy's Office of the Chief Human Capital Officer (Human Capital) met the intended goals.

SCOPE

The audit was performed from January 2018 to October 2019 at the Department of Energy Headquarters in Washington, DC, and Germantown, Maryland. We conducted site visits to the Management and Performance Shared Service Center in Cincinnati, Ohio, and the Power Marketing Administration Shared Service Center located in Lakewood, Colorado. This audit was conducted under Office of Inspector General project number A18GT006.

METHODOLOGY

To accomplish our audit objective, we:

- Reviewed Federal laws and regulations, and Department regulations, policies, and procedures related to Human Capital management;
- Reviewed Human Capital's *HR Service Delivery Study*, Implementation Plan, and Annual Human Capital Plans for fiscal years 2015 to 2017;
- Reviewed relevant reports issued by the Office of Inspector General and the Government Accountability Office;
- Reviewed Human Capital Management Accountability Program audit reports issued by Human Capital;
- Reviewed the results of Human Capital's *2016 Human Capital Satisfaction Survey for Hiring Managers* and *2018 Human Capital Satisfaction Survey*;
- Held discussions with officials from the Department and the National Nuclear Security Administration, including various Federal staff associated with Human Capital;
- Conducted site visits to the Management and Performance SSC and Power Marketing Administration SSC where we interviewed key personnel and obtained an overview of the Human Capital Consolidation;
- Conducted a detailed review of the Human Resources (HR) performance metrics and supporting documentation provided by Human Capital; and
- Reviewed the General Services Administration's Data to Decisions benchmarking website and compared the Department's HR metrics to other Government agencies.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform this audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Accordingly, we assessed significant internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit.

We did rely on computer-processed data to satisfy the audit objective. To assess the reliability of this data, we: (1) interviewed the officials at Human Capital who are responsible for gathering this data; and (2) performed some basic reasonable checks of the data against other sources of information. However, according to Human Capital officials, the data used to calculate the HR metrics were obtained from various information technology systems that are not owned by Human Capital. Human Capital requested the data from the systems' owners, such as the Office of the Chief Financial Officer, and did not perform additional tests of the data. Further, Human Capital acknowledged that some of the HR data, such as Time-To-Hire metrics, were not being entered accurately. As a result, we made a suggestion that management take additional steps to ensure its metrics use quality data.

An exit conference was held with management officials on October 1, 2019.

FEEDBACK

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