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FERNALD CITIZENS TASK FORCE WEEKLY MAILING OF UPCOMING
EVENTS AND MEETINGS, AS WELL AS GAO REPORT, SUMMARY OF IRT
PUBLIC AVAILABILITY SESSION, AUDIT OF WORK FORCE
RESTRUCTURING AT FEMP AND NEWSCLIPPINGS - (SEE READING ROOM
FOR ATTACHMENTS)

03/21/97

TASK FORCE TASK FORCE
25
ANNOUNCEME



3/21/97

FRIDAY MAILING

INCLUDED IN THIS MAILING ARE:

- GAO Report, supporting materials, and report summary
Members: Please review the findings in the GAO report which are summarized on page 2 and discussed through page 17. There are no revelations here, but we need to decide as a Task Force what, if any, actions we should take in response to this report.
- Summary of Independent Review Team Public Availability Session on February 12, 1997
- Audit of Work Force Restructuring at FEMP
- Letter to Phil Hamric from John Applegate
- Letter to Guy Guckenberger from John Applegate
- Newsclippings

ANNOUNCEMENTS:

Please note the following upcoming meetings:

Change of meeting date!

- FRESH MEETING:** FRESH will hold a meeting on **Thursday, April 3, 1997**, at Venice Presbyterian Church on Layhigh Road in Ross. All are welcome to attend!
- PUBLIC MEETING:** A Public Meeting will be held on Tuesday, April 15, 1997, from 7 to 9 p.m. There will be a discussion of the overall cleanup status by Johnny Reising, and other topics of interest, such as the GAO Report and the IRT Report. The meeting will be held at the Plantation.

QUESTIONS:

- Please call John at [REDACTED] or Doug at [REDACTED] with questions or concerns. You may also fax or e-mail us at:

John FAX: 281-3331 E-MAIL: john.applegate@law.uc.edu
Doug FAX: 648-3629 E-MAIL: [REDACTED]

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**SUMMARY OF INDEPENDENT REVIEW TEAM (IRT)
PUBLIC AVAILABILITY SESSION
February 12, 1997; 7:00 p.m. Alpha Building**

In support of the Silos Project, DOE and Fluor Daniel Fernald assembled an independent technical team to offer advice and make recommendations concerning the treatment of the waste in Silos 1, 2, and 3. The team has been meeting monthly since November and each session has included representatives from FRESH and the Task Force. However, to give the general public the opportunity to meet the IRT on an informal basis, an Availability Session was offered. The nine-member IRT, plus two experts on stabilization, made up the panel. Others attending the meeting included reps from U.S. EPA, OEPA, Institute for Energy & Environmental Research (IEER), FRESH, Fernald Citizens Task Force, ATSDR, Rob Portman's Office, GC8CTC, FAT&LC, DOE and Fluor Daniel Fernald.

A call-in line had been publicized for those unable to attend the session. The Nevada Community Advisory Board contacted DOE and planned to participate via conference call. However, due to scheduling conflicts and the time difference, they had to cancel.

Gary Stegner opened the meeting and asked the 11-member panel to briefly introduce themselves. Gail Bingham from the IRT gave a status summary of the team's progress to date. Following are some of the comments/questions that were directed to the team.

- The charter of the IRT should be limited to technical issues.
- The approach the United States takes to classification of radiological waste is not rational. Waste form determination should be guided by what is best in terms of protectiveness not by current requirements.
- The OU4 Record of Decision provides that the Silo waste shall be disposed of as a vitrified waste form. A glass waste form for the Silo residues is best. Until and unless, Fluor Daniel Fernald/DOE demonstrate that it is not technically possible to vitrify the Silo residues, no other waste form should be considered.
- Expressed concern that the IRT does not currently have all the information necessary to make an assessment of the Silos Project. The IRT should be provided with all relevant data and take as long as necessary to make a recommendation.
- Expressed concern with respect to DOE/Fluor Daniel Fernald's understanding of the potential for Silo degradation and collapse especially with respect to the potential impact of waste removal activities.
- Has the IRT been provided with a copy of the FEMP Emergency Response Plan?
- Requested that in the event that the IRT concludes that there exists insufficient information to make a final recommendation at this time, that it will return when the information becomes available and make a recommendation at that time.
- Requested that whatever the outcome of the IRT recommendation and final direction, sufficient "additional expertise" be brought in to support the project and assure a success. Requested that the expertise be the best available and not be

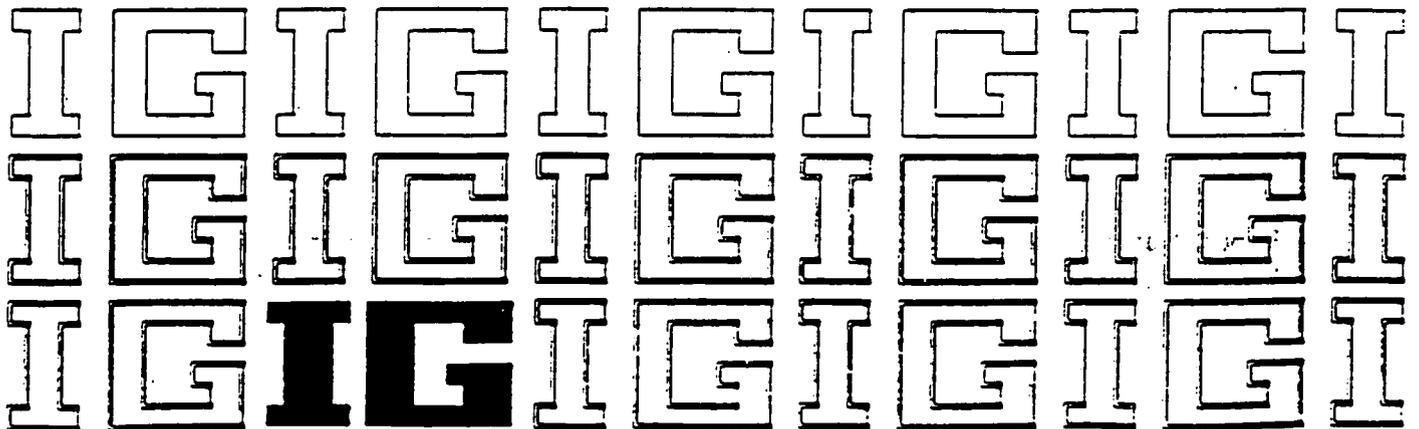
limited to Fluor Daniel Fernald or DOE.

- Interpreted the "ADS Tracking Report" provided to her by DOE as "claiming" that the IRT had attended a stakeholder meeting.
- Asked whether "privatization" of the project has been considered.
- Expressed concern that vitrification is being rejected based on technical difficulties associated with sulfates in the residues, yet sulfates present similar problems for cement stabilization.
- Expressed concern that the team needs more information and time to make a sound recommendation.
- Isn't there knowledge from other sites? Is there no coordination of lessons learned or sharing of information?
- Considers vitrification of Silo residues as a legally binding requirement. Does not understand why alternate forms are being considered.
- Considers the "March 1 deadline" for an IRT recommendation as an arbitrary Fluor Daniel Fernald requirement. Recommended that it should be "scrapped".
- Expressed concern that the IRT does not adequately understand the implications of waste volumes in considering a recommendation.
- Expressed concern regarding the dramatic increases in projected project costs.
- Expressed concern that we are not considering the impact of NTS not accepting a waste form other than what is currently agreed to.
- Expressed concern that no satisfactory explanation has been provided to the Stakeholders with respect to why Campaign 3 was omitted from the Pilot Plant test program.
- Asked the IRT if they had been provided with a copy of the Dose Reconstruction Report?
- Requested assurance that the report documenting this effort would be an IRT report not a Fluor Daniel Fernald report.
- Requested recommendations in the report not be limited to consensus issues. Dissenting opinions should also be included.
- FRESH requested a one-pager from each member of the IRT addressing their "feelings" on the "process, results," as an evaluation tool for them.

The meeting adjourned at 9:15. The IRT's next session will be February 25-28.



Audit of
Work Force Restructuring at
the Fernald Environmental Management Project



U.S. Department of Energy
Office of Inspector General

AUDIT OF WORK FORCE RESTRUCTURING AT
THE FERNALD ENVIRONMENTAL MANAGEMENT PROJECT

Report Number: ER-B-96-01
Date of Issue: April 23, 1996

Eastern Regional Audit Office
Oak Ridge, Tennessee 37830

AUDIT OF WORK FORCE
RESTRUCTURING AT THE FERNALD
ENVIRONMENTAL MANAGEMENT PROJECT

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U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES

AUDIT OF WORK FORCE RESTRUCTURING AT THE
FERNALD ENVIRONMENTAL MANAGEMENT PROJECT

Audit Report Number: ER-B-96-01

April 23, 1996

SUMMARY

The Department of Energy (Department) restructured its work force at the Fernald Environmental Management Project (Fernald Project) to reduce staffing levels and to modify the mix of workers' skills in response to budget cuts, facility closures, and changes in the Fernald Project's mission. The objective of this audit was to determine whether the work force restructurings were effective in reducing staffing levels and in changing the mix of workers' skills.

As of September 30, 1995, the restructurings were not effective in reducing staffing levels or in improving the mix of workers' skills. The Fernald Environmental Restoration Management Corporation (FERMCO) spent \$2.9 million to separate 255 employees in October 1993. However, by September 30, 1994, all but 14 of the employees separated were either rehired or replaced by new employees with similar skills. The second restructuring began in October 1994 and is not expected to be completed until May 1996. The Department expects the second restructuring to reduce FERMCO's work force by 476 employees at a cost of \$12.9 million. However, since the second restructuring began, FERMCO has hired 265 new employees and at September 30, 1995, had open job announcements seeking 82 additional employees. Many of these new employees have essentially the same skills as employees who separated under the two restructurings.

The Department's objectives were not met because the Fernald Area Office did not (1) require FERMCO to perform the skills analysis necessary to identify which employees were needed to perform the Fernald Project's current mission, and (2) effectively monitor FERMCO's restructuring efforts to ensure that the Department's objectives were met.

As a result, FERMCO spent \$2.9 million in Fiscal Year (FY) 1994, and planned to spend an additional \$12.9 million in FYs 1995 and 1996 for work force restructurings that have provided little or no benefit to the Department.

Management agreed there were some deficiencies in the restructuring process and agreed to implement the recommendations.

Office of Inspector General
Office of Inspector General

PART I

APPROACH AND OVERVIEW

INTRODUCTION

Congress directed the Department of Energy (Department), through Public Law 102-484, to minimize the impact of mission changes and associated work force restructurings on affected workers and local communities. In response to this direction, the Department developed guidelines to assist field activities in developing and implementing work force restructuring plans. The first restructuring at the Fernald Environmental Restoration Management Corporation (FERMCO) resulted in the separation of 255 employees in Fiscal Year (FY) 1994 and the second restructuring is expected to reduce the work force by 476 employees by May 1996. These restructurings were planned to reduce staffing levels and change the mix of workers' skills in response to budget cuts, facility shutdowns, and changes in the Fernald Environmental Management Project's (Fernald Project) mission. The objective of the audit was to determine whether the restructurings effectively reduced staffing levels and changed the mix of workers' skills.

SCOPE AND METHODOLOGY

The audit was performed from January 12, 1995, through October 27, 1995, at the Department's Fernald Area Office and FERMCO in Fernald, Ohio. We also met with the Director, Office of Worker and Community Transition, in Washington, D.C. To achieve the audit objective, we relied on computer-processed data in FERMCO's accounting and human resources information systems. We assessed the accuracy and reliability of the data and found it adequate for use in meeting the audit objective. In addition, we:

- reviewed the requirements of Section 3161 of the National Defense Authorization Act of FY 1993;
- reviewed the Department's work force restructuring guidelines established by the Office of Worker and Community Transition;
- evaluated the development and implementation of the Fernald Area Office's first and second work force restructuring plans;
- analyzed restructuring costs incurred by FERMCO in FYs 1994 and 1995;
- compared staffing levels before and after the restructurings; and

- compared job titles of the employees separated to those of employees hired during the restructurings.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations necessary to satisfy the audit objective. Accordingly, we assessed Departmental policies, procedures, and responsibilities for work force restructuring actions. 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.

The audit results were discussed with the Director, Office of Worker and Community Transition, on February 16, 1996, and an exit conference was held with the Director, Fernald Area Office, on February 21, 1996.

BACKGROUND

FERMCO operates the Fernald Project under a cost-plus-award-fee contract awarded by the Oak Ridge Operations Office and administered by the Ohio Field Office and the Fernald Area Office. FERMCO assumed responsibility for the Fernald Project on December 1, 1992. From 1952 to 1989, the Fernald Project produced a variety of uranium products that served as feed materials for defense programs at other Departmental sites. The Department suspended production in 1989, and officially ceased production in June 1991. Since 1989, the primary mission of the Fernald Project has been environmental restoration and cleanup.

Subsequent to the end of the Cold War, Congress enacted legislation which required the Department to minimize the impact of work force restructurings made necessary by the end of the Cold War on affected employees and their local communities. The legislation was Public Law 102-484, Section 3161 (Section 3161), dated October 23, 1992. It required that restructuring be accomplished, when possible, through the use of retraining, early retirement, attrition, and other options that minimize layoffs.

In response to this legislation, the Secretary of Energy established a Task Force on Worker and Community Transition (Task Force) to develop guidelines for Department sites to follow in preparing restructuring plans. The guidelines required field activities to develop restructuring plans and submit them to the Task Force for approval. Further, the guidelines established the role of the Department's field organizations and contractors and suggested that restructuring plans be based on comprehensive skills analyses that identify workers' skills necessary to meet the changing mission. Field activities were encouraged to develop restructuring plans which minimized layoffs through the use of voluntary retirements and separations, retraining and re-employment assistance, and worker reassignments.

Since enactment of Section 3161, FERMCO in coordination with the Fernald Area Office, has prepared two work force restructuring plans. The first restructuring plan was approved by the Office of Worker and Community Transition (formerly the Task Force) in October 1993. The plan called for the voluntary separation or retirement of 62 FERMCO employees and the involuntary separation of another 198 FERMCO employees in FY 1994. Under this restructuring plan, 255 employees were provided severance payments based on their length of service, medical benefits, outplacement support, and retirement benefits, costing \$2.9 million. Before the first restructuring, FERMCO had 2,417 employees.

The second restructuring plan was approved by the Office of Worker and Community Transition in February 1995. The plan projected the voluntary separation of about 400 FERMCO employees in FYs 1995 and 1996 at a cost of about \$8.2 million. However, 476 employees have volunteered to separate, and the Department now estimates the cost of the second restructuring to be about \$12.9 million. Most of the 476 employees who are currently being separated under the plan will receive an incentive bonus of \$15,000 in addition to enhanced severance pay.

The Fernald Area Office was responsible for monitoring the restructurings to ensure that FERMCO followed Departmental guidelines.

OBSERVATIONS AND CONCLUSIONS

The Fernald Area Office's FY 1994 work force restructuring did not accomplish the Department's objectives of reducing total employment and changing the mix of workers' skills. FERMCO spent \$2.9 million to separate 255 employees in October 1993. However, by September 30, 1994, all but 14 of the employees separated were either rehired or replaced by new employees with similar skills.

We could not determine whether the second restructuring will achieve the Department's objectives because it will not be completed until May 1996. However, FERMCO continued to hire employees to replace those separated. Since the first restructuring began, FERMCO has hired over 600 new employees. If this pattern continues, the second restructuring, estimated to cost \$12.9 million, like the first, will not significantly reduce overall staffing or substantially change the mix of workers' skills.

These conditions occurred because the Fernald Area Office (1) did not require FERMCO to perform a work force skills analysis to identify employees needed to meet mission requirements, and (2) did not effectively monitor FERMCO's restructuring efforts to ensure that the Department's objectives were met. As a result, FERMCO spent \$2.9 million in FY 1994, and planned to spend an additional \$12.9 million in FYs 1995 and 1996, for work force restructurings that have provided little or no benefit to the Department. Therefore, we recommended that the Director, Fernald Area Office, require FERMCO to review the skills of employees scheduled to be separated, and encourage

employees with skills that are needed to retain their jobs. We also recommended that the Fernald Area Office monitor FERMCO's efforts to ensure that the Department's restructuring objectives are effectively met and that employees with needed skills are retained and not separated and replaced.

Continuing to separate and replace employees with needed skills under the restructuring plan is, in our opinion, a material internal control weakness that the Department should consider when preparing the yearend assurance memorandum on internal controls.

PART II

FINDING AND RECOMMENDATIONS

Restructuring Objectives Not Achieved

FINDING

The Department's restructuring objectives at the Fernald Project were to reduce staffing levels and change the mix of workers' skills. Although FERMCO separated 255 employees in FY 1994 at a cost of \$2.9 million, by the end of FY 1994 the work force was reduced by only 14 employees. During this restructuring, FERMCO rehired many workers and hired replacement workers with virtually the same skills as most of the employees who were separated; thus, the work force skills mix was not significantly changed. The Department anticipates that the second restructuring, expected to cost \$12.9 million, will reduce the work force by 476 employees; however, FERMCO continues to hire replacement workers. This condition exists because the Fernald Area Office (1) did not require FERMCO to perform a skills analysis, and (2) has not effectively monitored FERMCO's restructuring efforts. As a result, the Fernald Area Office spent \$2.9 million in FY 1994, and plans to spend an additional \$12.9 million in FYs 1995 and 1996, for work force restructurings that have provided little or no benefit to the Department.

RECOMMENDATIONS

We recommend that the Director, Fernald Area Office:

- (1) Require FERMCO to immediately perform a comprehensive skills analysis, review the skills of employees scheduled to be separated, and encourage employees with skills that are needed to retain their jobs;
- (2) Develop future restructuring plans based on comprehensive skills analyses in accordance with Departmental guidance; and
- (3) Monitor FERMCO's restructuring activities to ensure that the Department's objectives are met.

MANAGEMENT REACTION

Management agreed there were some deficiencies in the FY 1994 restructuring process and concurred with the recommendations. However, management stated that the FY 1995 restructuring would achieve the Department's objectives.

DETAILS OF FINDINGRESTRUCTURING OBJECTIVES

The Department's objectives for restructuring the work force at the Fernald Project were to simultaneously reduce staffing and change the mix of workers' skills. The Department expected to decrease FERMCO's overall staffing in response to declining budgets and the shutdown of several Fernald Project facilities. The Department also expected to change the mix of workers' skills as remedial investigations and feasibility studies were completed and the actual clean-up efforts began. More specifically, the Department expected to reduce FERMCO's staffing for environmental sampling and characterization, and to increase staffing for construction management and subcontract administration. At the same time, the Department expected to increase staffing for subcontractors involved in remedial design and construction, since FERMCO's contract precluded its workers from performing these functions. For the second restructuring, the Department also expected to reduce project management and project controls personnel involved in administrative activities.

The Department planned to reduce FERMCO's staffing by at least 660 employees in FYs 1994, 1995, and 1996. In the first restructuring, the Department planned to separate 260 employees in FY 1994, including 62 voluntary separations and retirements and 198 involuntary separations. In the second restructuring, the Department plans to separate at least 400 employees in FYs 1995 and 1996, all by voluntary separations and retirements. FERMCO's notice to employees regarding the voluntary reduction-in-force stated that no replacements would be hired to fill vacated positions.

OBJECTIVES NOT ACHIEVED

FERMCO's restructuring efforts have not accomplished the Department's objectives. The first restructuring neither significantly reduced staffing nor substantially changed the mix of workers' skills. The second restructuring has not been completed; however, FERMCO has continued the same pattern of hiring employees to replace those separated. Thus, the second restructuring, like the first, might neither reduce overall staffing nor change the mix of workers' skills.

At the beginning of the first restructuring, FERMCO's total employment was 2,417 and it planned to reduce by 260. FERMCO separated 255 employees, rehired 73, and replaced most of the separated employees with new employees who had essentially the same skills as those separated. FERMCO did not significantly reduce the number of employees involved in environmental sampling and characterization. Also, FERMCO did not significantly increase the number of employees involved in construction management and subcontract administration. Consequently, at the end of FY 1994, FERMCO had reduced its total employment by only 14 and had essentially the same mix of workers' skills as before the restructuring.

In the second restructuring, the Department anticipated a reduction of at least 400 workers from FERMCO's employment base of 2,403. This restructuring will not be completed until May 1996; however, FERMCO has continued the same pattern of separating employees with needed skills and hiring replacements. As of September 30, 1995, FERMCO had separated 249 employees and still had 2,206 employees for a net reduction of 197. This net reduction was less than the number separated because FERMCO had hired new employees. Many of these new employees had the same general skills as the employees who were separated. Also, FERMCO had open job announcements seeking 82 additional employees as of September 30, 1995.

The Exhibit at Part IV of this report demonstrates that FERMCO's restructurings did not substantially decrease employment levels nor significantly change the mix of workers' skills. The Exhibit lists the number of employees separated in the first restructuring, the number of employees hired after the first restructuring, and the number of employees targeted to be separated in the second restructuring, as of October 3, 1995, for each individual skill title. If the first restructuring had achieved the skill mix changes anticipated by the Department, the Exhibit would show substantial (1) decreases in the skills associated with environmental sampling and characterization, and (2) increases in the skills associated with construction management and subcontract administration. However, the Exhibit shows no such patterns. FERMCO did not target specific skills for employee separations and new hires. Instead, FERMCO separated and then replaced employees with various types of skills. Moreover, for the four skill titles with the most separations in the first restructuring--clerk typists, secretaries, information record clerks/specialists, and information management analysts--the number of new workers hired after the restructuring far exceeded the number of employees separated.

As the following examples show, FERMCO's pattern of separating employees with needed skills and then hiring replacements occurred in both restructuring efforts.

- FERMCO separated 14 secretaries during the first restructuring, but then hired 19 new secretaries before the second restructuring. In the second restructuring, FERMCO identified 47 secretaries for separation, 3 of whom were hired after the first restructuring. Since announcing the second restructuring, FERMCO has hired 19 new secretaries.

- FERMCO separated 15 clerk typists in the first restructuring and subsequently hired 8 new clerk typists before the second restructuring. In the second restructuring, FERMCO identified 9 clerk typists for separation, 3 of whom were hired after the first restructuring. Since announcing the second restructuring, FERMCO has hired 17 new clerk typists.
- FERMCO separated 12 information records clerks/specialists during the first restructuring and subsequently hired 18 new information records clerks/specialists before the second restructuring. In the second restructuring, FERMCO identified 35 information records clerks/specialists for separation, 7 of whom were hired after the first restructuring. Since announcing the second restructuring, FERMCO has hired 8 new information records clerks/specialists.
- FERMCO separated 5 procurement specialists during the first restructuring and subsequently hired 9 new procurement specialists before the second restructuring. In the second restructuring, FERMCO identified 8 procurement specialists for separation, 1 of whom was hired after the first restructuring. Since announcing the second restructuring, FERMCO has hired 4 new procurement specialists.

During the audit, we received several formal and informal allegations of improprieties in the FERMCO restructuring processes. Some complainants alleged that workers who were hired by FERMCO's predecessor organizations at the Fernald Project were unfairly targeted for separation and replaced with new hires transferred in from other components of Fluor Daniel, Inc. Others alleged that selected workers were given separation and early retirement benefits for which they were not entitled. We verified that in at least a few instances, workers hired by FERMCO's predecessors were separated and replaced by new hires transferred in from other components of Fluor Daniel, Inc. However, we could not determine, with any degree of certainty, whether the new hires were more qualified or less qualified than the employees separated. Also, we referred an allegation of improper benefit payments to specific workers to the Director, Office of Worker and Community Transition, whose staff is still evaluating the allegation.

Management stated that many of the hirings shown in the Exhibit at Part IV were justified by changes in work scope, natural progression, attrition, and the requirements of the new collective bargaining agreement. Also, management stated that any instance of separating FERMCO employees and replacing them with new hires from other Fluor Daniel, Inc., components may have been totally proper considering the work to be accomplished and the particular skills of the workers involved. Nevertheless, we believe the exhibit strongly suggests a pattern of separating employees with needed skills and hiring replacements with similar skills, with little change in the overall employment level.

RESTRUCTURING PLANS SUBMITTED WITHOUT SKILLS ANALYSIS

These conditions occurred because the Fernald Area Office did not require FERMCO to perform the skills analysis necessary to identify which employees should be retained and which should be separated. In addition, the Fernald Area Office did not effectively monitor FERMCO's restructuring efforts.

Skills Analysis Not Performed

Preliminary Departmental guidance, issued in April 1993 and revised in March 1994, suggested that field activities develop restructuring plans based on a comprehensive skills analysis. The analysis was necessary to (1) determine worker skills required for the site mission, (2) compare skills and capabilities of the current work force to future needs, (3) identify worker retraining needs, and (4) identify workers with critical skills that must be retained. However, FERMCO did not perform a skills analysis, and the Fernald Area Office submitted both restructuring plans for Headquarters' approval without identifying the specific occupations or skills titles to be increased or decreased by the restructurings.

In the absence of a skills analysis, FERMCO's staffing reductions were based on collective bargaining agreements for union employees and division managers' rankings for salaried employees. Once Departmental budgets were established, division managers identified and separated hourly employees based on their respective collective bargaining agreements. Additionally, salaried employees were ranked by division managers on factors such as work habits, experience, and support for company values. Employees with the lowest rankings were separated without regard to skills possessed. Consequently, FERMCO separated employees with needed skills and hired new employees to replace those separated.

Despite the lack of a skills analysis, the Fernald Area Office submitted two restructuring plans, anticipating the separation of more than 600 FERMCO employees, for Headquarters' approval. FERMCO provided the Fernald Area office with details of its ranking system for identifying employees to be separated. FERMCO did not propose to identify critical skills needed to meet the Fernald Project's future mission nor to identify employees who could be reassigned or retrained rather than separated. The Fernald Area Office should have determined that the restructuring plans did not meet the basic requirements of Section 3161, especially the requirement to minimize layoffs. It should have required FERMCO to pursue opportunities for employee reassignments and retraining to avoid, or at least minimize, the number of layoffs.

Restructuring Not Effectively Monitored

After the first restructuring began, the Fernald Area Office did not closely monitor FERMCO's restructuring efforts to ensure that the Department's objectives were met. The Fernald Area Office did not monitor the occupations of workers who were

separated or hired to ensure that FERMCO (1) reduced the number of workers involved in environmental sampling and characterization, (2) increased the number of workers involved in construction management and subcontract administration, and (3) minimized layoffs by retaining workers with needed skills. The Fernald Area Office did not require periodic status reports on the numbers of employees hired and separated by occupation. Therefore, the Department was not aware that employees with needed skills were continually being separated and replaced.

Even though FERMCO had not completed the second restructuring and its success was questionable, the Fernald Area Office gave FERMCO \$405,000 in award fee for an "Excellent" rating on its work force restructuring efforts for the 6 months ended September 30, 1994.

LIMITED BENEFITS

The Fernald Area Office spent \$2.9 million in FY 1994, and plans to spend an additional \$12.9 million in FYs 1995 and 1996 for work force restructurings that have provided little or no benefit to the Department. Also, the Fernald Area Office is likely to pay for similar restructurings in future years because FERMCO still has not identified future staffing needs and continues to hire replacements for employees that it separates.

The funds spent on these restructurings, that provided little or no benefit to the Department, cannot be recouped. Nevertheless, this experience should not be repeated. More restructuring will be necessary in the future as the cleanup workload decreases and is ultimately completed. The future expenditures could far exceed the expenditures to date.

PART III

MANAGEMENT AND AUDITOR COMMENTS

The Director, Fernald Area Office, and the Director, Office of Worker and Community Transition, responded to a draft of this report. A summary of both responses follows.

The Director, Fernald Area Office agreed that there were some deficiencies in planning and implementing the FY 1994 restructuring effort. Management stated that those deficiencies were the result of budgetary fluctuations, work scope changes, and significant labor relations developments subsequent to implementation of the FY 1994 restructuring plan. However, corrective actions were taken in the FY 1995 restructuring based upon lessons learned in the FY 1994 restructuring. Also the Fernald Area Office took a more active role in implementing the FY 1995 plan. Management stated that the FY 1995 restructuring is clearly meeting the Department's objective for salaried employee reductions. Salaried employment decreased from 1,826 on December 30, 1994, to 1,523 on February 9, 1996. The salaried target level for May 30, 1996, is 1,351, and it will be achieved.

The Director, Office of Worker and Community Transition, stated that he has tasked his Deputy Director to thoroughly investigate the issues covered in this report. The Director stated that the investigation has tentatively concluded that (1) satisfactory planning was lacking in the FY 1994 restructuring, (2) certain union employees had to be rehired because of changes in the labor agreement, and (3) some rehiring was necessary because of budget changes during the year or can be explained due to attrition. The Director also stated that the FY 1995 restructuring will meet the planned work force reduction and change the skills mix to place more emphasis on environmental remediation. The Director further stated that he had not received satisfactory information to reach a conclusion on a number of other issues raised in this report.

The Director, Fernald Area Office, agreed to implement the recommendations. Management's comments on each recommendation follow along with auditor comments.

Recommendation 1. Require FERMC0 to immediately perform a comprehensive skills analysis, review the skills of employees scheduled to be separated, and encourage employees with skills that are needed to retain their jobs.

Management Comments. Management concurred and stated that it would make every effort to place employees scheduled for separation in appropriate positions before their currently scheduled separation.

Auditor Comments. Management's corrective actions are appropriate and should result in retaining employees needed for the future and, at the same time, reduce the amount of severance payments.

Recommendation 2. Develop future restructuring plans based on comprehensive skills analyses in accordance with Departmental guidance.

Management Comments. Management agreed with the recommendation and stated that there have been three iterations of FERMCO's skills mix analyses and each resulted in improvements. FERMCO will continue to make improvements.

Auditor Comments. Management's actions should result in the necessary improvements if a comprehensive skills analysis is performed before any future restructurings are implemented.

Recommendation 3. Monitor FERMCO's restructuring activities to ensure that the Department's objectives are met.

Management Comments. Management agreed to continue monitoring work force restructuring activities in a manner consistent with Departmental objectives, related guidance, and funding constraints. Management stated that as part of the lessons learned from the FY 1994 restructuring, it took a much more active role in the implementation of the FY 1995 restructuring plan. All plan contents, particularly the voluntary reduction in force portion, were the product of extensive discussions, and where appropriate, management direction and involvement.

Auditor Comments. Management's actions should result in the needed improvements if additional actions are taken to ensure that employees separated are not replaced with newly hired employees with similar skills.

PART IVEMPLOYEES SEPARATED AND HIRED AS OF OCTOBER 3, 1995

<u>SKILL/TITLE</u>	<u>NUMBER SEPARATED IN FIRST RESTRUCTURING</u>	<u>NUMBER OF NEW HIRES</u>	<u>NUMBER TO BE SEPARATED IN SECOND RESTRUCTURING</u>
ACCOUNTANT I, II, III & SR & TECH II	3	1	3
ADMINISTRATIVE ASSISTANT	-	2	5
ADMINISTRATIVE SUPERVISOR	-	-	1
ANALYTICAL CHEMIST I, II, III & SR	6	3	7
ASST WATER PLANT OPERATOR	-	7	-
ASSOC CONSTRUCTION ENGR, I, II	1	2	2
ASSOC CONSTRUCTION SUPPORT ENGR, I	-	2	2
ASSOC ENGINEER I, II	7	3	7
ASSOC INFO MGMT ANALYST/SPECIALIST	1	-	-
ASSOC MATERIAL CONTROL SPECIALIST	-	-	3
ASSOC PROCESS/SPECIALIST ENGR I, II	2	-	5
BOILER OPERATOR	-	1	-
CARPENTER	-	4	-
CLERK TYPIST I, II & SR	15	25	9
CONSTRUCTION ENGR AIDE II	-	1	1
CONSTRUCTION ENGR I, II	-	6	5
CONSTRUCTION ENGR MGR I	-	-	3
CONSTRUCTION MGR I & SR	-	3	1
CONSTRUCTION SUPERINTENDENT II	-	-	1
CONSTRUCTION SUPPORT ENGR I, II	2	2	-
COOK	1	-	-
CO-OP, INTERN, GRADUATE ASSISTANT	-	72	-
COST ANALYST	-	1	-
DEPARTMENT ADMINISTRATOR, I, II	5	3	11
DIRECTOR OF AUDIT	-	-	1
DIRECTOR OF CERCLA/RCRA UNIT	-	2	-
DIRECTOR OF ENGINEERING	-	1	-
DIRECTOR OF QUALITY	-	1	-
DIRECTOR OF STRATEGIC PROGRAMS I	-	1	-
DRAFTER III & SR	1	1	-
ELECTRICIAN	-	13	-
EMERGENCY RESPONSE PLANNER	1	-	-
PRINCIPLE ENGR, ENGINEER I, II & SR	9	8	16
ENGINEERING AIDE I, II, III	2	4	4
ENGINEERING COORD II	-	-	2
PRINCIPLE ENV/LAB SCIENTIST, I, II, III & SR	6	6	41
ENV/LAB TECHNICIAN I, II, III & SR	2	14	19
ENV PROJECT MGR	-	1	-
ENV PROTECTION ENGR/SPECIALIST I, II, III & SR	2	1	10
ENV WASTE ENGR/SPECIALIST I, II, III & SR	3	5	12

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<u>SKILL/TITLE</u>	<u>NUMBER SEPARATED IN FIRST RESTRUCTURING</u>	<u>NUMBER OF NEW HIRES</u>	<u>NUMBER TO BE SEPARATED IN SECOND RESTRUCTURING</u>
EXECUTIVE VP	-	3	-
FIRE FIGHTER/ER SPECIALIST II/ PREVENT INSPECT.	1	1	-
FIRE PROTECTION ENGR/SPECIALIST I	1	-	-
GENERAL SUPERVISOR	-	-	1
GRAPHICS ARTIST II & SR	1	-	1
HAZARDOUS WASTE TECH (HAZWAT)	45	34	-
HEALTH PHYSICIST II, III	-	3	2
HEALTH PHYSICS TECHNICIAN III	-	1	-
HR/IR TECHNICIAN I, II & SR	1	1	2
HUMAN RESOURCES SPECIALIST I, II, III & SR	1	2	3
INDUSTRIAL HYGIENE TECHNICIAN I, II, & SR	-	2	4
INDUSTRIAL HYGIENIST II/III	1	1	1
INDUSTRIAL RELATIONS REP III	1	-	-
INFO MGMT ANALYST/SPECIALIST I, II, III & SR	9	14	4
INFO MGMT TECHNICIAN I	2	-	-
INFO/RECORDS CLERK & SPECIALIST I, II, III & SR	12	26	35
INSTRUMENT MECHANIC	-	6	-
INVENTORY/SUPPLY ANALYST I, SPECIALIST	1	6	4
INVENTORY/SUPPLY SUPERVISOR	-	1	1
LABORER	1	41	-
LAUNDRY WORKER	1	12	-
LEAD INFO MGMT ANALYST/SPECIALIST	-	3	4
LEAD MAILROOM SUPPORT SPECIALIST, LII	-	4	-
LIBRARY SUPERVISOR	-	-	1
MAINTENANCE PLANNER I & SUPERVISOR I	3	3	5
MATERIAL COST ESTIMATOR I	-	-	1
MATERIAL CONTROL SPECIALIST I	-	-	1
MGR ADMINISTRATIVE/FACILITY SERVICES, SR MGR	-	1	3
MGR CONTRACT ADMINISTRATION, SR MGR	1	1	-
MGR ENGINEERING	-	1	-
MGR HUMAN RESOURCES	-	1	-
MGR INFO/RECORDS MGMT	-	-	2
MGR MATERIAL C&A, SR MGR	-	-	3
MGR PUBLIC AFFAIRS	-	-	2
MGR QUALITY, SR MGR	3	2	2
MGR RAD ASSESSMENT	-	1	-
MGR RADIOLOGICAL DOSIMETRY	-	1	-
MGR RSO OPERATIONS	1	-	-
MGR SAFETY ENGINEERING	-	1	-
MGR SECURITY/SECURITY ADMINISTRATOR	1	-	1
MGR SUPPORT SERVICES	-	1	2
MGR TECH PUBLICATIONS	1	-	2
MGR TECHNOLOGY PROGRAMS	-	-	1
MGR UTILITIES SERVICES	-	-	1
MGR I, II ANALYTICAL LAB SERVICES	4	-	-
MGR I, II, III ENV WASTE MGMT	-	4	3
MGR I INFO SYSTEMS	1	-	2
MGR I, II PROGRAM MGMT	1	-	3
MGR I MAINTENANCE SERVICES	-	-	1

<u>SKILL/TITLE</u>	<u>NUMBER SEPARATED IN</u>		<u>NUMBER TO BE SEPARATED IN</u>
	<u>FIRST RESTRUCTURING</u>	<u>NUMBER OF NEW HIRES</u>	<u>SECOND RESTRUCTURING</u>
MGR II ENV SCIENCE	-	-	1
MEDICAL TECHNOLOGIST	-	-	1
MILLWRIGHT	3	8	-
MOTOR VEHICLE OPERATOR	-	1	-
OPERATIONS AREA SUPERVISOR	-	-	1
OPERATIONS MGR I, II, III	1	3	4
OPERATIONS SUPERVISOR	4	3	10
PHOTOGRAPHIC TECH	-	1	-
PIPEFITTER	5	15	-
PORTER	-	29	-
PRESIDENT	-	1	-
PRINCIPLE INFO/RECORDS SPECIALIST I, II	3	-	3
PRINCIPLE MATL/PROP CNTRL SPECIALIST	-	1	-
PRINCIPLE PROCESS/SPECIALTY ENGR, I, II & SR	2	3	5
PRINCIPLE PROCUREMENT SPECIALIST, I, II & SR	5	13	8
PROJECT CTRLS ASSOC I, II	5	-	8
PRINCIPLE PROJECT CTRLS ENGR/SPECIALIST, I, II & SR	2	15	11
PROJECT ENGR I, II & SR, PRINC	5	3	16
PROJECT MGR II, III	-	2	1
PUBLIC AFFAIRS SPECIALIST I, II, III & SR	4	1	6
QUALITY VERIFIER II & SR	-	1	3
RAD CONTROL TECH I, II, III & SR	2	26	-
RECEPTIONIST	-	-	1
REG COMPLIANCE ENGR/SPECIALIST, I, II, III	7	3	2
REPRO EQUIPMENT OPERATOR & SR	1	3	-
SAFETY ENGR/SPECIALIST I, III & SR	-	2	5
SECRETARY I, II, III & SR	14	38	47
SECURITY OFFICER	-	3	-
SITE SERVICES SUPERVISOR	-	-	1
SR COMPUTER OPERATOR	-	-	1
SR CONT PERF IMP SPECIALIST	-	-	1
SR COUNSEL	-	-	1
SR EMERGENCY PLANNER	-	-	1
SR MGR ACCOUNTING	-	-	1
SR MGR ENV PROTECTION	-	-	1
SR MGR ENV SCIENCE	-	-	1
SR MGR ENV WASTE MGMT	-	1	-
SR MGR INDUSTRIAL RELATIONS	-	1	-
SR MGR PROCUREMENT	-	1	-
SR MGR PROJECT CONTROLS	-	2	-
SR MGR RAD CONTROL	-	1	-
SR MGR STRATEGIC PROGRAMS INT	-	1	-
SR NURSE	-	1	-
SR PHOTOGRAPHIC TECH	2	-	-
SR SUPV ADM/FACILITY SERVICES	-	1	3
SR TECHNICAL MGR	-	1	1
STOREROOM ATTENDANT	-	1	-
SUPPORT SVCS SUPERVISOR I, II	1	-	3
SUPERVISOR ANALYTICAL LAB SVCS	-	1	2

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SUPERVISOR ENV SCIENCE	-	-	1
SUPERVISOR FIRE PROT ENGINEERING	-	-	1
SUPERVISOR INFO MGMT	-	-	1
SUPERVISOR INFO/RECORDS MGMT	1	1	1
SUPERVISOR PROCUREMENT	1	-	-
SUPERVISOR QUALITY	-	-	1
SUPERVISOR RAD CONTROL	-	2	1
SUPERVISOR TRAINING	1	2	-
PRINCIPLE TECH/PROGRAM SPECIALIST, I, II, III & SR	8	8	30
TECH PUBLICATIONS SUPERVISOR	-	-	1
TECH WRITER/EDITOR I, II, III	2	6	3
TRAFFIC SUPERVISOR	-	1	2
TRAINING COORD	-	-	1
TRAINING SPECIALIST I, II, III & SR	5	9	7
UTILITIES SVCS SUPERVISOR I	-	-	1
UTILITY WORKER	3	-	-
WAREHOUSE TECH II	-	-	1
WASTE WATER PLANT OPERATOR	-	11	-
WELDER	1	-	-
WELLNESS COORDINATOR	-	1	-
WORD PROCESSING TECH II, III & SR	4	14	4
LONG TERM DISABILITY	-	-	1
TOTALS	255	616	476

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