



Department of Veterans Affairs Office of Inspector General

Evaluation of VA Compliance with Federal Energy Management Policies

The Department needs to strengthen compliance with Federal energy management policies and improve the reliability of data used to measure energy efficiency.

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Executive Summary

Introduction

The Office of Inspector General (OIG) conducted an evaluation to determine whether VA complied with Federal energy management policies and to assess VA's effectiveness in reducing energy consumption and costs. We conducted the evaluation in accordance with the Energy Policy Act of 1992 (EPAAct), which encourages OIGs to conduct periodic reviews of their agencies' compliance with the National Energy Conservation Policy Act of 1978 (NECPA) and other laws relating to energy consumption.

NECPA and several subsequent laws and Executive Orders (EOs) established energy management requirements and related performance goals for Federal agencies. Agencies were instructed to designate and train facility energy supervisors, perform energy audits for 10 percent of their facilities each year, and purchase energy efficient products when life-cycle cost-effective. Agencies were required to reduce energy consumption 20 percent per gross square foot (GSF) in Federal buildings by Fiscal Year (FY) 2000, 30 percent by FY 2005, and 35 percent by FY 2010 compared to energy consumption per GSF in FY 1985. Also, agencies were instructed to submit reports to the Department of Energy (DOE) each year describing activities undertaken, progress achieved, and plans for meeting energy conservation goals (collectively referenced here as annual energy reports).

Prior to July 2003, the Veterans Health Administration (VHA) had primary responsibility for ensuring VA compliance with Federal energy management policies. Program managers in VHA's Network Support Staff Office prepared and submitted the Department's annual energy reports to DOE. In July 2003, VA established a Department-wide energy conservation program to provide a systematic approach to energy conservation and to promote energy efficiency. As part of the program, the Assistant Secretary for Management was designated the Department's Senior Energy Official and given responsibility for Department-wide energy policy and oversight of VA's energy management program. The Office of Asset Enterprise Management (OAEM), which reports to the Assistant Secretary for Management, assumed responsibility for preparing and submitting the annual energy reports to DOE.

Data in VA's annual energy reports showed that the Department did not meet the FY 2000 goal of a 20 percent reduction in energy consumption per GSF compared to FY 1985. Data in the annual energy reports showed that FY 2000 energy consumption per GSF was reduced 15.4 percent from FY 1985 levels. However, FYs 2001 and 2002 data showed no additional progress toward achieving the performance goals. In FY 2002, VA reported energy consumption in its buildings totaled 26.9 trillion British thermal units (BTUs) at a cost of \$279.2 million.

Results

VA did not comply with Federal energy management policies or give sufficient priority to its energy management program. VA did not:

- Designate energy supervisors at all facilities.
- Ensure that facility energy supervisors received energy management training.
- Perform energy audits for 10 percent of its facilities each year.
- Ensure that Acquisition and Materiel Management officials purchased energy efficient products when life-cycle cost-effective.

As a result, the Department did not maximize opportunities to improve energy efficiency and reduce energy costs. We estimated VA could better use about \$12.9 million annually if it achieved the FY 2000 goal of reducing energy consumption 20 percent per GSF compared to FY 1985 energy consumption.

Evaluation results also showed that information used to measure VA's energy efficiency was not reliable. Facility personnel inaccurately reported facility GSF and energy consumption, and Network Support Staff Office program managers made additional errors when preparing annual energy reports. More reliable energy consumption data would enable managers to accurately assess progress in achieving energy conservation goals.

We recommended that the Department designate and train facility energy supervisors, perform energy audits for 10 percent of facilities each year, and train acquisition staff on the procurement of energy efficient products. We also recommended that the Department improve the accuracy of energy data input by facility personnel and the reliability of annual energy reports submitted to DOE.

Management Comments

The Assistant Secretary for Management agreed with the recommendations and provided acceptable implementation plans. (See Appendix C on pages 16–21 for the full text of the Assistant Secretary for Management's comments.)

Although the recommendations were addressed to the Assistant Secretary for Management, we also gave the Under Secretary for Benefits, the Under Secretary for Memorial Affairs, and the Under Secretary for Health the opportunity to respond to the draft report. The Under Secretary for Benefits and the Under Secretary for Memorial Affairs provided comments describing actions they have initiated to improve energy management. The Under Secretary for Health chose not to provide comments. (See Appendix E on pages 24–26 for the full text of the Under

Secretary for Benefits' comments and Appendix F on pages 27–28 for the full text of the Under Secretary for Memorial Affairs' comments.)

An estimate for FY 2002 better use of funds was submitted to the Acting Assistant Secretary for Management. In response to the FY 2002 estimate, the Acting Assistant Secretary stated that energy conservation goals were designated for FYs 2000, 2005, and 2010, and that calculations should not be made using FY 2002 data. Using data for FY 2000 and the same methodology we used, he stated that the amount of \$12.9 million should be reported for the period FY 1985 through FY 2000. (See Appendix D on pages 22–23 for the full text of the Acting Assistant Secretary's comments.)

After reviewing the Acting Assistant Secretary's comments, we revised our estimate using data for FY 2000 and the FY 2000 energy conservation goal. We agreed that VA could have better used about \$12.9 million if it had met the FY 2000 goal. Although the Acting Assistant Secretary's response stated that the estimate should be reported for the period FY 1985 through FY 2000, the estimate was based solely on FY 2000 data and therefore represents FY 2000 costs. We will follow-up on the planned actions and progress toward meeting the FY 2005 energy conservation goal.

This report was prepared under the direction of Michael E. Guier, Director, Dallas Audit Operations Division, and Joann Pritchard, Audit Manager, Dallas Audit Operations Division.

(original signed by:)
MICHAEL L. STALEY
Assistant Inspector General for Auditing

Results and Recommendations

1. VA Should Ensure Compliance with Energy Management Policies

Findings

VA's energy management program needs to ensure compliance with Federal energy management policies and achievement of energy conservation goals. VA did not comply with Federal policies requiring designation of facility energy supervisors, training of energy supervisors, performance of facility energy audits, and procurement of energy efficient products. This occurred because VA did not give sufficient priority to its energy management program. As a result, VA has not maximized opportunities to improve energy efficiency and minimize energy costs. We estimate VA could better use about \$12.9 million annually if it achieved the FY 2000 Federal goal of reducing energy consumption 20 percent per GSF compared to energy consumption per GSF in FY 1985.

Facilities Did Not Have Designated Energy Supervisors

Network Support Staff Office program managers did not maintain records identifying facility energy supervisors for VHA, National Cemetery Administration (NCA), or Veterans Benefits Administration (VBA) facilities, and evaluation results showed many facilities did not have designated energy supervisors.

- Only 1 of the 3 VHA medical facilities we visited included the term “energy manager” or “energy supervisor” in a position description. Position descriptions at the two facilities without designated energy supervisors did not assign responsibilities for maintaining energy-related records, overseeing energy projects, or achieving energy conservation goals.
- Eighty-seven of 172 (51 percent) Engineering respondents¹ to our survey reported that their facilities did not have designated energy supervisors.
- Forty-eight of 171 (28 percent) Engineering respondents to our survey reported that there were no employees at their facilities whose performance standards or position descriptions

¹ We received responses to our national Internet energy survey from 172 facilities' Engineering representatives and 159 facilities' Acquisition and Materiel Management representatives. However, some respondents did not answer all of the survey questions. The number of responses to questions discussed in the report varies from 150 to 172.

included overseeing facility energy programs, energy conservation, energy savings, or achievement of energy conservation goals.

VA Did Not Ensure That Personnel Received Energy Management Training

Network Support Staff Office program managers did not maintain centralized data on energy management training, but evaluation results showed that facility Engineering staffs received limited training related to energy management.

- Two of the 3 VHA medical facilities we visited had not provided energy management training to Engineering staff.
- Only 25 of 172 (15 percent) Engineering respondents to our survey reported that 1 or more local Engineering staff members had received training in all 6 areas required to be qualified as trained energy managers: building energy systems, building energy codes and applicable professional standards, energy accounting and analysis, life-cycle cost methodology, fuel supply and pricing, and instrumentation for energy surveys and audits.
- Seventy of 172 (41 percent) Engineering respondents to our survey stated that no staff members at their facilities had received energy management training in the last 2 years.

VA acknowledged in its annual energy reports for FYs 2000, 2001, and 2002 that energy managers would need additional training before they could be qualified as trained energy managers.

Energy Audit Requirements Were Not Met

Network Support Staff Office program managers did not track the number of energy audits performed. Our evaluation results showed that VA did not perform energy audits for approximately 10 percent of its facilities each year as required.

- One of 3 VHA medical facilities we visited had not had an energy audit in the last 10 years.
- Only 90 of 172 (52 percent) Engineering respondents to our survey indicated that their facilities had comprehensive energy audits in the last 10 years. Fifty (29 percent) responded that only portions of their facilities had energy audits in the last 10 years, and 32 (19 percent) responded that no energy audits had been conducted in the previous 10 years.

VA acknowledged in its annual energy reports for FYs 2000, 2001, and 2002 that 10 percent of facilities were not routinely audited each year. The reports stated that most VA facilities had energy audits completed in the early 1980s and that only those medical facilities having major system or infrastructure changes have been approved for subsequent energy audits.

Energy Efficient Products Were Not Purchased

Facility personnel did not consistently comply with Federal policies requiring them to purchase ENERGY STAR®² or other energy efficient products when life-cycle cost-effective.

- At the 3 VHA medical facilities we visited, we reviewed 14 equipment purchases costing approximately \$41,000 when items with ENERGY STAR® designations could have been purchased. Of the 14 items, 4 items (2 televisions and 2 freezers costing \$11,000) without ENERGY STAR® designations were purchased at 2 facilities. Chiefs of Acquisition and Materiel Management at the two medical facilities were unfamiliar with requirements to purchase ENERGY STAR® or other energy efficient products when life-cycle cost-effective.
- Only 54 of 156 (35 percent) Acquisition and Materiel Management respondents to our survey indicated that energy efficiency was always considered when purchasing equipment. When asked how their facilities ensured that energy efficiency was considered, only 66 of 156 (42 percent) respondents said that their facilities had local policies requiring that energy efficiency be considered when purchasing equipment. Only 23 of 150 (15 percent) respondents said that procurement officials had received energy efficiency training.

Funds Could Be Better Used

We estimated VA could reduce energy costs by approximately \$12.9 million annually if it achieved the FY 2000 Federal goal of reducing energy consumption 20 percent per GSF compared to FY 1985 consumption. Our calculation is provided below:

Determination of FY 2000 Goal

FY 1985 Reported Consumption	198,560 BTU/GSF
Less 20% Required by EO 12759	<u>39,712 BTU/GSF</u>
FY 2000 Goal	158,848 BTU/GSF

Comparison of Consumption to FY 2000 Goal

FY 2000 Consumption	167,982 BTU/GSF
Less FY 2000 Goal	<u>158,848 BTU/GSF</u>
Consumption in Excess of Goal	9,134 BTU/GSF

Cost of Consumption in Excess of Goal

Consumption in Excess of Goal	9,134 BTU/GSF
Multiplied by FY 2000 Reported GSF	<u>155,444,329 GSF</u>
Total FY 2000 Consumption in Excess of Goal	1,419,828,501,086 BTU
Multiplied by FY 2000 Cost per BTU	<u>\$0.00000907174330</u>
Estimated FY 2000 Cost of Consumption in Excess of Goal	\$12,880,320

² ENERGY STAR® is a Government-backed, voluntary labeling program designed to identify and promote energy efficient products.

Conclusion

VA did not comply with Federal energy management policies because it did not give sufficient priority to its energy management program. This is indicated by the number of facilities that did not designate energy supervisors and the limited oversight of energy management activities. Network Support Staff Office program managers questioned anomalies in energy data submitted by facility personnel and submitted annual energy reports and other required documents to DOE, but they did not have the resources to monitor facilities' compliance with energy management policies. As a result, VA missed opportunities to reduce energy consumption and costs. VA should give higher priority to its energy management program to ensure compliance with Federal energy management policies and improve its ability to achieve energy conservation goals.

Recommendation 1

We recommended that the Assistant Secretary for Management: (a) require that each administration appoint an energy supervisor for each of its facilities, with energy management responsibilities specified in his or her position description and performance standards; (b) ensure that facility energy supervisors receive training to be qualified as trained energy managers; (c) ensure that energy audits are performed for 10 percent of facilities each year; and (d) provide Acquisition and Materiel Management staff training on requirements to procure ENERGY STAR® or other energy efficient products.

Assistant Secretary for Management Comments

On February 6, 2004, the Assistant Secretary for Management agreed with the recommendation and provided acceptable implementation plans. VA plans to place a certified energy manager in each of VHA's, VBA's, and NCA's network or area offices, with a point of contact for energy matters at each local facility. OAEM will issue guidance requiring training for certified energy managers, and each administration must budget funds for this training. Energy audits are planned for all VA facilities in the next 5 years, and training for Acquisition and Materiel Management staff will reinforce current requirements for purchasing ENERGY STAR® or other energy efficient products. See Appendix C on pages 16–21 for the full text of the Assistant Secretary for Management's comments.

An estimate for FY 2002 better use of funds, based on the FY 2000 goal, was submitted to the Acting Assistant Secretary for Management. In his response dated November 9, 2004, the Acting Assistant Secretary stated that energy conservation goals were designated for FYs 2000, 2005, and 2010, and that calculations should not be made using FY 2002 data. Using FY 2000 data and the same methodology we used, he stated that the amount of \$12.9 million should be reported for the period FY 1985 through FY 2000. (See Appendix D on pages 22–23 for the full text of the Acting Assistant Secretary's comments.)

Office of Inspector General Comments

After reviewing the Acting Assistant Secretary's comments, we revised our estimate using data for FY 2000 and the FY 2000 energy conservation goal. We agreed that VA could have better used about \$12.9 million if it had met the FY 2000 goal. Although the Acting Assistant Secretary's response stated that the estimate should be reported for the period FY 1985 through FY 2000, the estimate was based solely on FY 2000 data and therefore represents FY 2000 costs.

We will follow up on the Assistant Secretary for Management's planned actions until they are completed and on the progress toward meeting the FY 2005 energy conservation goal.

2. VA Energy Data Were Not Reliable

Findings

Information used to measure VA's energy efficiency was not reliable. Facility personnel inaccurately reported their facilities' GSF and energy consumption, and Network Support Staff Office program managers made errors when preparing annual energy reports. Responsible personnel were unaware of, or overlooked, reporting instructions and made numerous clerical errors.

Facility Personnel Inaccurately Reported Their Facilities' Size

Engineering personnel at VHA medical facilities improperly included interstitial space,³ inconsistently reported data for leased space, and made other errors when entering the square footage of facilities into VHA's Veterans Integrated Service Network (VISN) Support Service Center (VSSC) Facility Energy Usage database.

Improperly Including Interstitial Space. VHA medical facility personnel did not correctly apply VHA instructions contained on the VSSC Web site, which state that interstitial space should only be included if it is heated and air-conditioned.

- One of the 3 VHA medical facilities we visited had 1,138,035 GSF of interstitial space that was not heated and air-conditioned, but facility personnel included it in reported GSF. The interstitial space represented 38 percent of the facility's total reported 2,995,000 GSF.
- Five of 172 (3 percent) Engineering respondents to our survey reported that none of their facilities' interstitial space was heated or air-conditioned, but the space was included in reported GSF. Their responses indicated they inappropriately included about 1.3 million GSF in the approximately 6.8 million GSF that these VHA medical facilities reported.

Inconsistently Reporting Leased Space. DOE's reporting guidance requires agencies to include data for leased space when the agencies pay for the utilities used in the leased space and the General Services Administration (GSA) is not administering the lease. Evaluation results showed that VHA medical facility personnel did not follow DOE reporting guidance and inconsistently reported data for leased space that was not administered by GSA.

- One of the 3 VHA medical facilities we visited included 87,888 GSF for 3 leased outpatient clinics and a leased day treatment center but did not include energy consumption for the leased space in reported data. The VHA medical facility paid the utility bills for only one of

³ Interstitial space is located between occupied floors of a building and is used exclusively to house distribution, mechanical, electrical, telecommunication, or plumbing equipment, components, or systems.

the clinics consisting of 71,500 GSF. The GSF and energy consumption for this clinic should have been reported. In FY 2001, this clinic consumed electricity costing approximately \$108,000 and natural gas costing approximately \$24,000. The remaining 16,388 GSF for the other 2 leased outpatient clinics and the day treatment center should not have been reported since VHA did not pay for the utilities.

- Another of the VHA medical facilities we visited leased 2 outpatient clinics and paid the utility bills for both clinics but did not include the clinics' 47,580 GSF or the energy consumption in reported data. The GSF and energy consumption for these two clinics should have been reported. In FY 2001, these 2 clinics consumed electricity costing about \$80,000 and natural gas costing about \$7,500.
- Sixty-five of 171 (38 percent) Engineering respondents to our survey stated that their facilities leased a total of 2.7 million GSF and paid the related utility costs. The responses indicated 47 of these facilities inappropriately excluded about 1.3 million GSF of leased space from reported total GSF and 45 of these facilities inappropriately excluded leased space energy costs from reported data.

Errors in Entering the Square Footage of Facilities. We identified other significant errors in the reported GSF for 1 of the 3 VHA medical facilities we visited. Facility personnel reported that the facility had almost 3.1 million GSF, but our review of blueprints for existing buildings showed that the facility actually had about 2.6 million GSF. The facility overstated GSF by 19 percent, which caused the facility's energy consumption per GSF to be understated.

Facility Personnel Inaccurately Reported Their Facilities' Energy Consumption

Energy consumption data reported by 2 of the 3 VHA medical facilities and 1 of the 3 VA national cemeteries (VANCs) we visited also contained significant errors. For example:

- At one VHA medical facility, the quantity of natural gas consumed in FY 2001 was over 943 times more than the quantity reported because personnel converted utility billings in therms⁴ to cubic feet using the wrong conversion factor and then input the resulting amount in thousands of cubic feet instead of cubic feet. This error caused VA's total reported natural gas consumption to be understated by 274.8 million cubic feet, or 2 percent.
- At another VHA medical facility, the quantity of chilled water purchased for air conditioning was over 818 times the quantity reported for FY 2001. The facility reported chilled water consumption equivalent to 46.2 million BTUs, whereas actual consumption was 37.8 billion BTUs. This error occurred primarily because data were input to VHA's VSSC Facility Energy Usage database in increments of thousands of BTUs instead of in BTUs. This caused VA's reported chilled water consumption of 66 billion BTUs to be understated by almost 37.8 billion BTUs, or 36 percent.

⁴ A therm is a unit of constant heating value, and the therm factor converts volumes of gas used from cubic feet to therms. One therm equals 100,000 BTUs.

- The natural gas consumed at a VANC was about 100 times more than reported because the facility was billed in therms and the quantities were input into NCA's Management and Decision Support System (MADSS) energy database without converting the therms to cubic feet. In FY 2001, the VANC reported 3,788 therms in the cubic feet field of MADSS. The correct quantity was 367,398 cubic feet. This error caused NCA's reported total consumption of natural gas of 1,541,063 cubic feet to be understated by 19 percent.

Program Managers Made Errors When Preparing Summary Reports

Information provided in annual energy reports was not complete, did not meet reporting requirements, and differed from supporting documentation.

Incomplete Data. Annual energy reports inappropriately excluded data for some VA facilities.

- Energy consumption data and GSF were not collected for VBA facilities, and VBA facilities requiring inclusion in annual energy reports had not been identified. Network Support Staff Office program managers stated that energy consumption data for VBA facilities were not being collected unless the VBA facility was co-located with a VHA medical facility and the VHA medical facility included it with their reporting. Program managers explained that VBA facilities were not included because the majority of VBA facilities were leased properties, and they did not think energy consumption data for any leased space should be included in annual energy reports.
- Energy data for VA laundries were excluded from annual energy reports. Network Support Staff Office program managers explained that data for laundry facilities were not reported because laundry activities are energy intensive and, in their opinion, should not be included in BTU per GSF measurements for buildings. Also, they stated that VA did not accumulate energy data for laundry facilities in FY 1990, the baseline year for Federal industrial facilities, and this precluded measuring laundry facility energy consumption against goals for industrial facilities. However, VA officials never requested or received a reporting exemption from DOE and did not disclose that data for laundry facilities were excluded until the FY 2002 annual energy reports were submitted in February 2003.
- Prior to FY 2002, energy consumption data and GSF of VANCs were not included in annual energy reports. Although Network Support Staff Office program managers began including NCA energy data in the FY 2002 annual energy reports, NCA's data collection methods require improvement to ensure data are complete and accurate. For example, NCA's MADSS did not tabulate the actual cost of energy consumed, and this caused program managers to use NCA's obligated, rather than actual, energy costs.

Noncompliance with Reporting Requirements. Network Support Staff Office program managers made inappropriate adjustments to summary data.

- When preparing annual energy reports, program managers computed BTUs per GSF using only fourth quarter data and adjusted for degree days.⁵ Federal goals are prescribed in annual BTUs per GSF and are not adjusted for degree days.
- Program managers added quantities and costs of gasoline used in vehicles leased from GSA. DOE reporting guidance states that agencies should not report energy consumed by vehicles leased from GSA because GSA collects and reports this consumption and associated costs.
- In FY 2001, program managers subtracted VA laundry facility energy consumption and costs from certain categories that already excluded laundry facility data. As a result of this error, natural gas consumption was understated by 569 million cubic feet and fuel oil consumption was understated by 716,000 gallons. Also, reported costs of electricity were understated by approximately \$2 million, natural gas costs by \$3 million, and fuel oil costs by \$525,000.

Unsupported Data. Information VA submitted to DOE in annual energy reports differed from supporting documentation. For example:

- VA reported electricity costs of approximately \$159.6 million in FY 2000. Supporting data showed the reported amount was understated by approximately \$11.3 million.
- VA reported consumption of 176 billion BTUs of chilled water in FY 2000, but supporting data showed VHA consumed 0.172 billion BTUs of chilled water.

Program managers explained that annual reports were prepared based on the information that was available at the time of submission. Corrections to the supporting VHA VSSC Facility Energy Usage database after the annual energy reports were submitted were not retained or tracked.

Conclusion

VA energy data were not reliable because facility personnel entering data into VA energy databases and Network Support Staff Office program managers preparing summary documents were unaware of, or overlooked, reporting instructions and made numerous clerical errors. VA should improve the reliability of energy consumption and cost data to permit accurate assessments of its progress in achieving energy conservation goals.

⁵ Degree days determine cumulative temperatures over a course of a season and are based on the number of days with average temperatures above or below 65 degrees Fahrenheit.

Recommendation 2

We recommended that the Assistant Secretary for Management: (a) provide training for personnel assigned to input data or approve data input into VA energy databases, incorporating the results of this evaluation; (b) require data input into VA energy databases be reviewed and certified by an official above the data entry level; (c) identify leased facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting; (d) identify VBA facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting; (e) disclose the energy costs and units consumed by VA laundry facilities in annual energy reports; (f) provide VANCs an energy database that accumulates all data needed for annual energy reports; (g) require that annual energy reports be reviewed by a management level higher than the preparer and certified as to the data's completeness, accuracy, and adherence to DOE reporting guidance prior to their release; and (h) retain data supporting annual energy reports submitted to DOE.

Assistant Secretary for Management Comments

The Assistant Secretary for Management agreed with the recommendation and provided acceptable implementation plans. The VSSC will be distributing a handbook of instructions at training seminars to all personnel responsible for input of energy data, and a senior official at each facility will be required to certify the energy consumption data entered into the VSSC energy database. Leased facilities exceeding 10,000 GSF will be included in the VSSC energy database and the FY 2004 annual energy reports unless the facility is managed by GSA. The Department anticipates that, with Congressional passage and execution of the pending new energy bill, VA will have the opportunity to reassess its energy baseline using FY 2001 data. At that time, VA will include laundry energy consumption data in the annual energy reports. The VSSC is developing an energy database that will include data needed for completion of the annual energy reports beginning with FY 2004. The Senior Energy Official has begun reviewing the annual energy reports prior to submission, and data supporting annual energy reports will be retained. See Appendix C on pages 16–21 for the full text of the Assistant Secretary for Management's comments.

Office of Inspector General Comments

The Assistant Secretary's implementation plans are acceptable. We will follow up on the planned actions until they are completed.

Background

Federal Energy Management Policies

NECPA and several subsequent laws and EOs established energy management requirements for Federal agencies. Current requirements include the following:

- The EPAct requires each Executive department to designate facility energy supervisors. The EPAct defines “facility energy supervisor” as the employee with responsibility for the daily operations of a Federal facility, including the management, installation, operation, and maintenance of energy systems.
- EO 12902 (*Energy Efficiency and Water Conservation at Federal Facilities*, issued March 10, 1997) and EO 13123 (*Greening the Government Through Efficient Energy Management*, issued June 3, 1999) instruct agencies to include successful implementation of energy efficiency in position descriptions and performance standards to recognize the responsibilities of facility energy supervisors, energy managers, and others.⁶
- The EPAct states that Executive departments must establish and maintain programs ensuring facility energy managers are trained energy managers and shall encourage appropriate employees to participate in energy management training courses. The EPAct defines “trained energy manager” as a person who has demonstrated proficiency or completed studies in six areas: fundamentals of building energy systems, building energy codes and applicable professional standards, energy accounting and analysis, life-cycle cost methodology, fuel supply and pricing, and instrumentation for energy surveys and audits.
- EOs 12902 and 13123 require facility energy audits for approximately 10 percent of agency facilities each year.
- The EPAct, EO 12759 (*Federal Energy Management*, issued April 17, 1991), EO 13123, and Federal Acquisition Regulation 23.203 state that agencies must purchase ENERGY STAR® or other energy efficient products when life-cycle cost-effective.
- The EPAct, EO 12759, and EO 13123 require that agencies annually submit to DOE data describing activities undertaken, progress achieved, and plans for attaining energy conservation goals. Each agency must submit to DOE an annual report on energy management, an energy management data report, an energy scorecard, and an energy management implementation plan.

⁶ A facility may have multiple energy managers, with one designated as the facility energy supervisor.

Energy Conservation Goals

EO 12003 (*Relating to Energy Policy and Conservation*, issued July 20, 1977) established the first goals for reducing energy consumption in Federal buildings, requiring a 20 percent reduction in energy use in existing buildings and a 45 percent reduction in new buildings by 1985. Additional performance goals were subsequently established.

- EO 12759 required a 20 percent reduction in energy consumption per GSF in Federal buildings by FY 2000, relative to FY 1985 consumption levels.
- EO 13123 requires that agencies reduce energy consumption per GSF in Federal buildings 30 percent by FY 2005 and 35 percent by FY 2010, relative to FY 1985 consumption levels.

Certain Federal buildings are not required to meet these performance goals. The EPO Act permits agencies to exclude certain buildings, and the associated energy consumption and GSF, from the energy consumption requirements if the agency head determines that compliance with the requirements is impractical and the agency identifies excluded buildings in annual energy reports. Under authority granted in EO 13123, DOE's approval of an agency's finding of impracticability is required to exclude facilities from the energy consumption requirements. EOs 12759, 12902, and 13123 establish separate goals for Federal industrial facilities. Initially, industrial facilities were required to reduce energy consumption 20 percent by FY 2000 compared to FY 1985 levels. Subsequently, additional goals were established to reduce energy consumption 20 percent by FY 2005 and 25 percent by FY 2010 compared to FY 1990 levels. EO 13123 requires that data for Federal industrial facilities be included in annual energy reports.

VA Energy Management Program

Prior to July 2003, the Deputy Under Secretary for Health for Operations and Management served as VA's Senior Energy Official, and VHA had primary responsibility for the Department's energy management program. Facility or VISN officials generally made decisions concerning assignment of facility energy management responsibilities, energy management training, completion of energy audits, and other energy management activities. Personnel at VHA medical facilities entered their facilities' GSF, energy consumption, and cost data into VHA's VSSC Facility Energy Usage database, which was used by program managers in VHA's Network Support Staff Office to prepare VA's annual energy reports.

NCA personnel entered the GSF of NCA buildings and the quantities of energy consumed into MADSS. Beginning with FY 2002 data, program managers in the Network Support Staff Office incorporated summary data from MADSS into the Department's annual energy reports. GSF and energy consumption data for VBA facilities were not collected or included in annual energy reports.

In July 2003, VA established a Department-wide energy conservation program to provide a systematic approach to energy conservation and to promote energy efficiency. The new program requires that all administrations and staff offices be included in annual energy reporting. The new program includes plans to establish regional energy boards comprised of VHA, VBA, and

NCA members to address energy issues, increase the use of ENERGY STAR® or other energy efficient equipment in VA facilities, and incorporate water conservation into the program. As part of the program, the Assistant Secretary for Management was designated the Department's Senior Energy Official and given responsibility for Department-wide energy policy and oversight of VA's energy management program. The OAEM, which reports to the Assistant Secretary for Management, assumed responsibility for preparing and submitting annual energy reports to DOE.

Data in the annual energy reports showed that VA did not meet the FY 2000 goal of reducing energy consumption 20 percent per GSF compared to FY 1985 consumption levels. Data in VA's annual energy report for FY 2000 showed annual energy consumption (26.1 trillion BTUs) per GSF (155.4 million) was reduced 15.4 percent from reported FY 1985 levels. However, FYs 2001 and 2002 data showed no additional progress toward achieving the performance goals. In FY 2002, VA reported energy consumption in its buildings totaling 26.9 trillion BTUs and costing \$279.2 million.

Objectives, Scope, and Methodology

Objectives

The objectives of this evaluation were to determine whether VA complied with Federal energy management policies and to assess VA's effectiveness in reducing energy consumption and costs. The evaluation was initiated in accordance with Section 160(c) of the EPA Act, which encourages OIGs to conduct periodic reviews of their agencies' compliance with NECPA and other laws relating to energy consumption.

Scope

Our evaluation focused on VA compliance with Federal energy management policies for the period from FY 2000 through the conclusion of our national Internet energy survey on May 7, 2003. We examined VA annual energy reports for FYs 2000 through 2002 to assess VA's effectiveness in achieving performance goals for FY 2000 and future years. We did not assess the accuracy of VA's FY 1985 energy consumption baseline.

Methodology

To assess VA compliance with Federal energy management policies and the Department's effectiveness in reducing energy consumption and costs, we:

- Reviewed Federal laws, regulations, and EOs addressing energy management in Federal agencies.
- Discussed reporting requirements with DOE and Office of Management and Budget officials.
- Discussed energy management practices, collection of energy data, and preparation of annual energy reports with Network Support Staff Office program managers.
- Analyzed VA's annual energy reports for FYs 2000, 2001, and 2002 for compliance with DOE reporting guidance and changes in VA disclosures from prior years.
- Analyzed data supporting VA's FYs 2000 and 2001 annual energy reports for accuracy and completeness.
- Interviewed VA contracting officials regarding equipment purchasing and evaluation of equipment energy efficiency.
- Visited three VHA medical facilities and three VANCs: the VA Palo Alto Health Care System, Palo Alto, California; the Houston VA Medical Center, Houston, Texas; the

James H. Quillen VA Medical Center, Mountain Home, Tennessee; the Golden Gate National Cemetery, San Bruno, California; the Houston National Cemetery, Houston, Texas; and the Mountain Home National Cemetery, Mountain Home, Tennessee. We selected the three VHA medical facilities based upon the types of energy consumed, their rankings in energy consumption per GSF compared to other VHA facilities, whether the facilities had laundries onsite, and proximity to NCA and VBA facilities. We selected the VANCs based upon proximity to medical facilities we had previously decided to visit. At each of the facilities, we assessed compliance with Federal energy management policies and compared reported GSF, energy consumption, and energy costs with facility blueprints, utility bills, and other supporting documentation retained by facility personnel.

- Conducted a national Internet energy survey of VHA facilities. We sent a notice to each VHA medical facility director asking the director to appoint an Engineering representative⁷ and an Acquisition and Materiel Management⁸ representative of each facility to respond to questions concerning the facility's energy management. We asked Engineering representatives to answer 48 questions on topics including assignment of energy management responsibilities, energy management training, performance of energy audits, input of data into VHA's VSSC Facility Energy Usage database, and barriers to energy efficiency. We asked Acquisition and Materiel Management representatives to answer 15 questions concerning procurement of equipment. VHA's VSSC FY 2001 Facility Energy Usage database included data for 178 facilities. We received responses from 172 facilities' Engineering representatives and 159 facilities' Acquisition and Materiel Management representatives.
- Met with representatives of the OAEM to discuss their plans for VA's energy management program.

The evaluation was conducted between July 2002 and September 2003 in accordance with generally accepted Government auditing standards for staff qualifications, independence, and due professional care; field work standards for planning, supervision, and evidence; and reporting standards for performance audits.

⁶ A chief, supervisor, manager, or staff member of Engineering Service, Facility Management, or other organization responsible for the improvement, maintenance, operation, and management of the facility's infrastructure and energy systems.

⁸ A chief, supervisor, manager, or staff member of Acquisition and Materiel Management Service, Logistics, Contracting, Procurement, or other organization responsible for the facility's equipment purchases.

Assistant Secretary for Management Comments, February 6, 2004

**Department of
Veterans Affairs**

Memorandum

Date: February 6, 2004

From: Assistant Secretary for Management

Subject: **Evaluation of VA Compliance with Federal Energy Management Policies**

To: Assistant Inspector General for Auditing

1. The Office of Management has reviewed the subject report. Attached are our responses to the specific recommendations.
2. The Office of Asset Enterprise Management (OAEM) was named as the lead office responsible for VA's energy efforts and has recently revamped the Department's approach to energy by issuing Directive 0055, VA Energy Conservation Program (ECP), in July 2003. This centralized, agency-wide approach illustrates the increased level of priority and commitment VA is giving to this program.
3. VA's ECP will promote efficiency in building design and operations, energy consumption, water conservation, and use of new advances in energy conservation and production technologies. Key components of VA's ECP include: energy goals and requirements; commodity acquisition; energy investment initiatives; utilization reporting/measurement and verification; and management tools. OAEM is in the process of implementing this directive, which will address and correct the issues and recommendations cited in your report such as identification of energy managers, training, reporting, procurement of Energy Star® and other energy-efficient products, and energy audit cycle requirements.
4. For the first time, VA has a systematic, agency-wide approach to energy conservation. In addition to being a good steward of the environment, VA will conserve the use of energy Department-wide, saving resources that can be used to improve the lives of our veterans.

5. If you require additional information, please have a member of your staff call James Sullivan at 202-273-5254.

(original signed by:)

William H. Campbell

Assistant Secretary for Management Comments to Office of Inspector General's Report

The following Assistant Secretary for Management's comments are submitted in response to the recommendation(s) in the Office of Inspector General's report:

OIG Recommendation(s)

Recommendation 1. We recommend that the Assistant Secretary for Management: (a) require that each administration appoint an energy supervisor for each of its facilities, with energy management responsibilities specified in his or her position description and performance standards; (b) ensure that facility energy supervisors receive training to be qualified as trained energy managers; (c) ensure that energy audits are performed for 10 percent of facilities each year; and (d) provide Acquisition and Materiel Management staff training on requirements to procure ENERGY STAR® or other energy efficient products.

Concur **Target Completion Date:** End FY 2004

(a): Require that each administration appoint an energy supervisor for each of its facilities, with energy management responsibilities specified in his or her position description and performance standards.

Response: Concur. It is VA's intention to enhance the role of the certified energy manager by establishing that role in each administration's regional office (VHA/VISN, VBA/AO and NCA/MSN) in lieu of each facility. This will allow the energy manager to focus on all the facilities within that regional office's jurisdiction as his/her primary duty. Each regional energy manager will have a point of contact for energy matters at each local facility to implement the guidance set at the regional level. VA firmly believes that this management structure -- whereby energy asset and portfolio management decisions are made at the regional level by a certified energy manager -- will facilitate accomplishment of VA energy conservation program goals.

(b): Ensure that facility energy supervisors receive training to be qualified as trained energy managers.

Response: Concur. As the lead for the Department, the Office of Asset Enterprise Management (OAEM) will issue guidance to the Administrations and staff offices regarding the necessary training for certified energy managers, which must take place over this and subsequent fiscal years. Administrations and staff offices will need to budget for energy training and it will be their responsibility to obtain the necessary funds/resources for this training.

(c): Ensure that energy audits are performed for 10 percent of facilities each year.

Response: Concur. Most VHA facilities had energy audits completed in the early 1980s. Subsequent to those reviews, any facility that entered into an energy savings performance contract (ESPC) had an energy audit completed as the first step in the ESPC process. Based on VA's experiences with the pilot program in VISNs 4, 12, 21, and 22, VA will be implementing phases I and II¹ of the pilot program Department-wide as the format for VA energy audits. In FY 2003, VA performed energy audits at over 10% of the facilities in the pilot. Over the next 5 years, it is anticipated that energy audits will be performed at all facilities in VA's inventory.

(d): Provide Acquisition and Material Management staff training on requirements to procure Energy Star or other energy efficient products.

Response: Concur. Office of Acquisition and Materiel Management seminars and acquisition forums will continue to provide VA procurement officials with guidance in FY 2004, based on VA Directive 0055, VA Energy Conservation Program, dated July 2003. The directive requires VA Administrations and staff offices to purchase Energy Star and other energy-efficient products. Training will also reinforce the current procedures for purchasing such products.

Recommendation 2. We recommend that the Assistant Secretary for Management: (a) provide training for personnel assigned to input data or approve data input into VA energy databases, incorporating the results of this evaluation; (b) require data input into VA energy databases be reviewed and certified by an official above the data entry level; (c) identify leased facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting; (d) identify VBA facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting; (e) disclose the energy costs and units consumed by VA laundry facilities in annual energy reports; (f) provide VANCs an energy database that accumulates all data needed for annual energy reports; (g) require that annual energy reports be reviewed by a management level higher than the preparer and certified as to the data's completeness, accuracy, and adherence to DOE reporting guidance prior to their release; and (h) retain data supporting annual energy reports submitted to DOE.

Concur **Target Completion Date:** End FY 2004

(a): Provide training for personnel assigned to input data or approve data input into VA energy databases, incorporating the results of this evaluation.

¹ Phase I includes a commodity acquisition assessment and establishment of an energy baseline. Phase I will review the manner in which a region/facility purchases energy commodities such as electricity, gasoline, and natural gas. Phase II includes an identification of energy needs/deficiencies in a given region and is essentially an energy needs assessment. Phases I and II are the basis for VA's energy audits.

Response: Concur. The energy database will be managed and maintained by VHA's Veterans Service Support Center (VSSC). The VSSC will be producing a handbook of instructions for the input of data into the VSSC energy database; the handbook will be distributed at training seminars to all VA personnel responsible for input of energy data.

(b): Require data input into VA energy databases be reviewed and certified by an official above the data entry level.

Response: Concur. VA has begun implementing a process regarding this recommendation. The administrations and staff offices were given templates for submission of data for the FY 2003 Annual Energy Report. OAEM mandated that the data be certified by a senior level official. Each administration/staff office energy team will be required to create a certification process for future data submissions. Proposed processes will require OAEM approval. Beginning with FY 2004 entries, a senior official at each facility will be required to certify the energy consumption data inputted into the VSSC energy database.

(c): Identify leased facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting.

Response: Concur. VA's new energy conservation program policy requires all leased facilities that are over 10,000 square feet to report energy consumption to the VSSC energy database unless the facility is managed by GSA. Non-GSA-leased facilities will be included in the FY 2004 Annual Energy Report.

(d): Identify VBA facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting.

Response: Concur. VA's new energy conservation program policy requires all leased facilities that are over 10,000 square feet to report energy consumption to the VSSC energy database unless the leased facility is managed by GSA. Non-GSA-leased facilities will be included in the FY 2004 Annual Energy Report.

(e): Disclose the energy costs and units consumed by VA laundry facilities in annual energy reports.

Response: Concur. VA facilities are currently classified under the category of E.O. 13123, which does not take into account the energy consumption of laundry facilities; in addition, the VA 1985 baseline did not include laundry facilities. With Congressional passage and execution of the pending new

energy bill, VA, as well as all other departments and agencies, will have the opportunity to reassess its energy baseline using FY 2001 energy consumption data. At that time, VA will include the laundry energy consumption data as part of VA's annual energy reporting.

(f): Provide VANCs with an energy database that accumulates all data needed for annual energy reports.

Response: Concur. The VSSC is in the process of creating an energy database that will include all data necessary for the completion of the annual report beginning with the FY 2004 report.² This database is currently under development and will be accessible by all administrations/staff offices in order to incorporate total VA energy consumption. This database will also be accessible at any point in time in order to have the ability to track VA energy consumption throughout the year. Additionally, the VA Capital Asset Management System (CAMS) will capture energy investment information from each facility for the purpose of portfolio management.

(g): Require that annual energy reports be reviewed by a management level higher than the prepared and certified as to the data's completeness, accuracy and adherence to DOE reporting guidance prior to their release.

Response: Concur. Beginning with the FY 2003 Annual Report and FY 2004 Implementation Plan, VA completed these reports and submitted them for review by the Senior Energy Official (Assistant Secretary for Management) before final submission. This will be the standard method of submission of these reports.

(h): Retain data supporting annual energy reports submitted to DOE.

Response: Concur. With completion of the new VSSC energy database, as well as the CAMS asset management inventory capability, data will be captured and stored for easy access for future needs.

² This will build upon the energy database that already exists and has been in use since FY 2001.

Acting Assistant Secretary for Management Comments, November 9, 2004

**Department of
Veterans Affairs**

Memorandum

Date: November 9, 2004

From: Acting Assistant Secretary for Management (004)

Subj: Comments on the OIG Draft Evaluation of VA Compliance with Federal Energy Management Policies (EDMS #285611)

To: Director, Audit Operations Division – Area South (OIG Dallas)

1. Thank you for the opportunity to review the additional findings and recommendations inserted into the draft OIG report, Evaluation of VA Compliance with Federal Energy Management Policies. The area we were asked to review includes monetary benefits or losses in energy savings in relation to the policies and actions taken regarding VA's energy program. I apologize for the delay in completing this review.

2. The calculation of a shortage of energy savings in FY 2002 is not consistent with milestones as set forth in the Energy Policy Act of 1992. This act set milestones for energy consumption reduction for FY 2000, FY 2005, and FY 2010 based upon an established baseline of FY 1985. The amount of monetary loss in energy savings in FY 2002 is reported at \$21,085,255. As the actual fiscal year or years in which shortages occurred cannot be ascertained, we do not believe that FY 2002 figures should be reported. Rather, the amount of \$12,880,320 should be reported for the period 1985 to the end of FY 2000 -- stated in FY 2000 dollars. Attached is a chart that substantiates our calculations.

3. As you are aware, prior to March 2003, VA's energy program was located solely within VHA. (In March 2003, the Office of Management's Office of Asset Enterprise Management (OAEM) was designated as VA's lead regarding energy matters, and since that time, OAEM has been developing a Department-wide energy program.) As such, the reporting data in the draft report is that of VHA. In FY 2000, VHA reported that it had obtained a 15.4% energy consumption reduction, which represents a shortage of 4.6%, based on the goal of 20% for FY 2000. Without the reporting of data from VBA and NCA as well as applicable staff offices, this figure is not a true reading of total energy consumption reduction for the Department. I request that the report illustrate this fact.

4. Thank you for the opportunity to provide input to the draft report. If you have any questions, please contact Mr. Ed Bradley, OAEM energy program leader, at 273-9489.

(original signed by:)
William A. Moorman

Attachment

Calculation for Energy Savings Losses

FY 1985 – FY 2000

Determination of FY 2000 Goal

FY 1985 Reported Consumption	198,560 BTU/GSF
Less 20% Mandated Goal Reduction	<u>39,712 BTU/GSF</u>
FY 2000 Goal	158,848 BTU/GSF

Comparison of Reported Consumption to FY 2000 Goal

FY 2000 Reported Consumption (15.4%)	167,982 BTU/GSF
Less FY 2000 Goal	<u>158,848 BTU/GSF</u>
Consumption in Excess of Goal	9,134 BTU/GSF

Cost of Reported Consumption in Excess of Goal

Consumption in Excess of Goal	9,134 BTU/GSF
Multiplied by FY 2000 Reported GSF	<u>155,444,329 /GSF</u>
Total FY 2000 Consumption in Excess of Goal	1,419,828,501,086 BTU
Multiplied by FY 2000 Reported Cost per BTU	<u>\$0.00000907174330</u>
Estimated FY 2000 Cost of Consumption in Excess of Goal	\$12,880,320

Note:

1. Total BTU reported for FY 2000 -- 26,108,307,000,000.
2. Total cost per BTU reported for FY 2000 -- \$236,847,859

Under Secretary For Benefits Comments

Department of Veterans Affairs

Memorandum

Date: April 7, 2004

From: Under Secretary for Benefits (20)

Subj: Draft Report—Evaluation of VA Compliance with Federal Energy Management Policies (Project 2002-00986-R6-0115)—EDMS 257157

To: Assistant Inspector General for Audit (52)

1. Due to your revision of the Draft Report—Evaluation of VA Compliance with Federal Energy Management Policies (Project 2002-00986-R6-0115), VBA is submitting a revised response to recommendation 1, as requested. The revision is a result of documentation provided by the Office of Asset Enterprise Management demonstrating that funding requirements were provided to the Office of Management and Budget (OMB).
2. If you have any questions or need additional information, please contact Dee Fielding, VBA's OIG Liaison, at 273-7018.

(original signed by:)
Daniel L. Cooper

Attachment

Attachment

OIG Recommendation 1:

We recommend that the Assistant Secretary for Management: (a) require that each administration appoint an energy supervisor for each of its facilities, with energy management responsibilities specified in his or her position description and performance standards; (b) ensure that facility energy supervisors receive training to be qualified as trained energy managers; (c) ensure that energy audits are performed for 10 percent of facilities each year; and (d) provide Acquisition and Materiel Management staff training on requirements to procure ENERGY STAR or other energy efficient products.

VBA Response:

(a) VBA has designated an Energy Management Official and Energy Liaisons to serve on an Energy Team based in Central Office. The Energy Team is responsible for the development and implementation of VA energy policy and goals. The team will work with the Office of General Counsel, Office of Acquisition and Materiel Management, and the Office of Asset Enterprise Management (OAEM) to identify and acquire energy efficient facilities and equipment for VBA. The team will serve as point of contact for data collection, analysis, and reporting of VBA energy conservation efforts. Additionally, Energy Liaisons have been designated for each of the 5 VBA-owned facilities that are not under the purview of the Veterans Health Administration or of the General Services Administration. (b) VBA is preparing a training initiative to address formal training for Energy Manager certification. Planned implementation of this initiative will be in FY 2005. During FY 2004, VBA will investigate formal training opportunities and other educational materials and activities related to the Energy Conservation program. (c) VBA will work with OAEM and the other administrations to coordinate energy audits/surveys at VBA-owned locations. (d) VBA concurs and will work with the Office of Acquisition and Materiel Management and servicing medical center staffs to ensure requirements pertaining to ENERGY STAR and other energy efficient products are procured.

OIG Recommendation 2:

We recommend that the Assistant Secretary for Management: (a) provide training for personnel assigned to input data or approve data input into VA energy databases, incorporating the results of this evaluation; (b) require data input into VA energy databases be reviewed and certified by an official above the data entry level; (c) identify leased facilities meeting the requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting; (d) identify VBA facilities meeting requirements for inclusion in annual energy reports and ensure the appropriate data are included in future reporting; (e) disclose the energy costs and units consumed by VA laundry facilities in annual energy reports; (f) provide VANCs an energy database that accumulates all data needed for annual energy reports; (g) require that annual energy reports be reviewed by a management level higher than the preparer and certified as to the data's completeness, accuracy, and adherence to DOE reporting guidance prior to their release; and (h) retain data supporting annual energy reports submitted to DOE.

VBA Response:

(a) VBA concurs and will work with OAEM to ensure VBA personnel responsible for data input and/or approval of data entered into the VA energy database receive appropriate training. VBA concurs with recommendations (b) and (c). (d) Currently, VBA is reporting on the 5 VBA-owned facilities (Hines, Houston, Jackson, St. Petersburg, and Montgomery) as required by VA Directive 0055, dated July 28, 2003. Direct leased facilities meeting the criteria (non fully serviced) will be included as appropriate. The remainder of VBA facilities is either included in Veterans Health Administration reports (for former VAMROCs) or is in GSA owned or leased space and is excluded. Recommendation (e) does not apply to VBA. VBA concurs on recommendations (f), (g), and (h).

Under Secretary for Memorial Affairs Comments

Department of Veterans Affairs

Memorandum

Date: January 27, 2004

From: Under Secretary for Memorial Affairs

Subject: Evaluation of VA Compliance with Federal Energy Management Policies

To: Assistant Inspector General for Auditing

1. Thank you for the opportunity to comment on the Draft Report, Evaluation of VA Compliance with Federal Energy Management Policies. We agree that the National Cemetery Administration (NCA) and the Department can do more to conserve energy and improve energy efficiency. We are in the process of strengthening our energy management responsibilities. We have developed an energy implementation plan that will strengthen NCA's energy management program and address those issues/findings identified in the draft report. Specific comments on the findings and recommendations are provided below.

Recommendation 1 - Comments

As part of our energy implementation plan, we will examine the number and location of energy supervisors appropriate to plan and administer the NCA energy program. NCA facilities are much smaller in terms of size and energy consumption compared to VA Medical Centers. We have numerous national cemeteries that have only two to five employees. In addition, 37 of our national cemeteries are closed to new burials and many of those facilities are completely contracted-out. It may not be an effective use of resources to have a certified energy manager located at each national cemetery. One potential alternative we will evaluate is to have one energy supervisor responsible for multiple facilities.

Recommendation 2 – Comments

NCA has an energy database as part of its Management and Decision Support System (MADSS). For the FY 2003 energy report, MADSS was modified so that water usage data could be collected. As a result, all energy data needed for reporting purposes can now be collected using MADSS. Cost data for electricity, water, gas, and fuel is available through the Department's Financial Management System (FMS).

As part of NCA's energy implementation plan, we will increase our efforts to ensure that the data collected through MADSS is accurate. We will be providing the field with instructions to further clarify and define such items as conversion factors so that energy usage is reported accurately. In 2004, NCA is establishing an Organizational Assessment and Improvement program to ensure regular and consistent assessment of organizational performance against established operational standards. Site visits will be conducted at six national cemeteries in 2004. As part of these site visits, a review of the accuracy of energy usage data input by the cemeteries into MADSS will be conducted. In addition, we will be instituting a process in Central Office to review energy data on a quarterly basis to identify and resolve potential data problems or inaccuracies.

2. Your staff may direct questions regarding our comments to Lisa Ciolek, Chief, Capital Performance and Budgeting Division (41B1B) at 202-273-5157.

(original signed by:)
J. W. Nicholson

Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Estimated reduction in annual energy costs if VA achieved EO 12759's goal of a 20 percent reduction in energy consumption per GSF by FY 2000, relative to FY 1985 consumption levels.	\$12,880,320

OIG Contact and Staff Acknowledgments

OIG Contact	Joann Pritchard (512) 326-6215
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Acknowledgments	John Weber
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