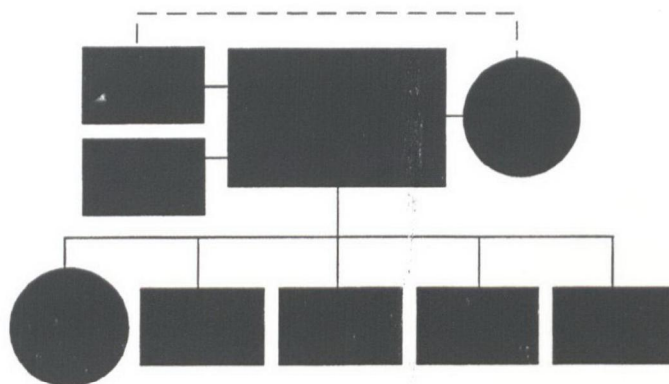




United States
Environmental Protection
Agency

Office of
Administration and
Resources Management

December 1996



Management Review

Innovative Regional Structures

A Preliminary Assessment of the FY'95 Regional Office Reorganizations

U.S. EPA Region 8
Technical Library 80C-L
999 18th Street, Suite 500
Denver, CO 80202-2466

pared by:

• Innovative Regional Structures Review Team
• by Organization & Management Consulting Services
• ice of Human Resources & Organizational Services
• ember 13, 1996

Printed on Recycled Paper

TEAM MEMBERS

This report was prepared by the following members of the Innovative Regional Structures Review Team, who represent offices from all across the U.S. Environmental Protection Agency.

Office of Administration and Resources Management

Ruth Alene Soward, Project Director

Office of the Comptroller

Timothy Gonzales

Office of Enforcement and Compliance Assurance

Katrina Cherry

Office of the General Counsel

Craig Annear

Office of Regional Operations and State/Local Relations

Jim Wieber

Office of Water

Cynthia Puskar and Pat Bonner

Region I

Stephen Perkins

Region V

Jane Neumann and William Muno

Region VII

Richard Devoe

Region VIII

Wayne Anthofer, Jane Chadbourne, and Kerry Clough

Region IX

Mike Schulz

Region X

Barbara McAllister

SPECIAL THANKS



The Review Team thanks *the EPA managers and staff* who gave time, observations, perspectives and information during the course of this review, and who offered constructive advice and feedback on the Agency's processes for reorganizing.

Also, we thank the *representatives from State, Tribal, industry, and environmental groups* across the United States who provided the Team their observations and perspectives on how the Regional reorganizations have affected their programs and relationships with EPA's Regional Offices.

Finally, we thank the following managers and staff who assisted the Review Team during the course of this reviews:

Dave Alexander, OARM; Dennis Devoe, OECA; Justina Fugh, OGC; Pam Ringhoff and Laurel Seneca, Region I; and Bill Glasser and Catherine Krueger, Region X.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	11
CHAPTER 1: Analyses and Overarching Observations — Strategic Priorities	17
CHAPTER 2: Analyses and Overarching Observations — Reinvention Priorities	33
CHAPTER 3: Analyses and Overarching Observations — Accountability And Integrity	47
CHAPTER 4: Analyses and Overarching Observations — Processes For Reorganizing	53
CHAPTER 5: Other Issues	59
CHAPTER 6: Conclusions And Recommendations	65
APPENDICES	75
Appendix 1: Summary of Recommendations	77
Appendix 2: Region-Specific Observations	81
Appendix 2a: Region-Specific Observations: Region VIII	83
Appendix 2b: Region-Specific Observations: Region VII	97
Appendix 2c: Region-Specific Observations: Region X	111
Appendix 2d: Region-Specific Observations: Region V	125
Appendix 2e: Region-Specific Observations: Region I	137
Appendix 3: Concerns and Observations of Headquarters Offices	157
Appendix 4: Glossary of Terms	167

EXECUTIVE SUMMARY

PURPOSE:

Deputy Administrator Fred Hansen requested a preliminary assessment of the Regional reorganizations implemented in FY 1995 to:

- Identify the lessons we have already learned about what works, what does not.
- Note what changes hold the most promise for the future work of the Agency.
- Recommend what steps we might take to continue these innovations in other parts of EPA.

A cross-Agency Review Team visited a sample of five of the seven Regions that reorganized in FY 1995.

OBSERVATIONS:

The Review Team focused its observations on programs, issues, and initiatives in three primary areas: **Strategic Priorities**, **Reinvention Priorities**, and **Accountability and Integrity**. For each of these three areas, this report includes a chapter that describes the Team's observations and analysis in more detail. In addition, the Team made a number of observations about the Regional Offices' processes for designing and implementing their reorganizations, which are included in a chapter called **Processes for Reorganizing**. Finally, the Team made several other observations which did not fit clearly into these four chapters. These observations are included in a chapter called **Other Issues**. Highlights from these chapters are as follows:

STRATEGIC PRIORITIES:

- Community Based Environmental Protection (CBEP) has found a home in each Region, through specific structures (Regions I, VIII, X) and team approaches. Organizing around CBEP may hold some advantages in promoting resource commitment to this priority.
- Reorganizations generally consolidated Pollution Prevention activities, providing a home and, in some cases, visibility, focus and increased resources.
- Organizations with dedicated State and Tribal offices or units were perceived by States and Tribes as being farther along in, and more committed to, building partnerships.
- It is too early to tell which of the two enforcement reorganization options (i.e., central coordinator/decentralized staff or enforcement division) is working better. However, both

options have demonstrated strengths and several implementation tools are worthy of special note

- Reorganizing for *enforcement* has had a significant impact on organization and delivery of *legal counseling services* in the Regions. There is no consensus as to which model works better

REINVENTION PRIORITIES

- Though all made efforts, none of the Regions reviewed was able to build strong identification of a shared vision and values that drove the organizational change or explained why it was necessary
- Each of the five Regions increased customer focus on external partners and stakeholders, such as States and Tribes. Reorganization disruptions, regardless of structure, caused short-term, yet still-significant effects on customer service
- There was little or no change in workforce diversity. The hiring freeze and other budgetary complications restricted the Regions' abilities to make changes in the workforce demographics
- To a significant extent, the five Regions eliminated the middle management layer
- Teams are viewed as the key to making many things work, yet establishing successful teams has proven much harder than anticipated
- Regions moved many staff and managers into new jobs as they implemented their reorganizations, resulting in significant disruptions. Although there are early positive indications, it is too soon to tell if the movement will yield the anticipated payoff in cross-training, cross-fertilization and overall facilitation of new ways of thinking and operating
- Regions reviewed met the mandate to reach the 1:11 supervisor to employee ratio. There is widespread dissatisfaction among staff and managers with the effect of going to 1:11. People are not seeing the changes in management roles and behavior, empowerment or administrative requirements that were anticipated
- Though flourishing in pockets, empowerment has not taken hold as a result of the reorganizations
- Not enough time has elapsed to tell if management roles and behaviors are significantly changing. Agency culture still fuels expectations that managers will be program experts rather than coaches, mentors and facilitators

ACCOUNTABILITY AND INTEGRITY

- The budget, finance, contracts and grants operations of the Regions were not significantly impacted by the reorganizations
- Reconciling the ever-increasing emphasis on multi-media work with the Agency's media-specific budget structure is a continuing challenge for the Regions and the Headquarters program offices
- There is no question that there were short-term downturns in productivity due to implementation of the reorganizations — as well as the FY 1996 Government shutdowns, EPA's potential 34% budget reduction and RIF situation. However, it is too soon to tell whether the reorganizations have had a lasting affect on program efficiency, effectiveness and accountability

PROCESSES FOR REORGANIZING

- Defining and clearly communicating the reorganization decision-making process makes a difference in employee acceptance of the ultimate outcome. Some Regions did this well, others less well.
- All Regions used "design" teams in helping senior management with reorganization planning. The success of these teams was influenced by varying degrees of participation and empowerment, and the team's relationship with senior management.
- Regions made significant efforts to reach out to external stakeholders and partners. Less attention was paid to reaching out to internal stakeholders in the Headquarters Offices.
- All Regions used some form of external organizational change consulting and most agreed they would recommend it to others.
- All Regions underestimated the productivity downtime and the emotional reaction accompanying major changes.

OTHER ISSUES

- Some Headquarters officials believe the SLC did not make tough choices about how to organize the Agency as a whole, before allowing individual offices to reorganize.
- EPA's processes for designing, reviewing, and approving reorganization proposals are flawed.
- Most of the five reviewed Regions underestimated infrastructure support costs (such as office moves, phone changes, etc.) associated with their reorganizations.

- Not only do Headquarters and State officials experience problems in communicating with the reorganized Regions, so do other Regions.
- The burden on managers from EPA's cumbersome performance management system are felt even more acutely now that the supervisor-to-staff ratio has widened to 1:11.
- Some stakeholders in Headquarters, the States, and within the Regions themselves believe that the positive changes made to improve the Regional delivery of programs could have been achieved without reorganizing.

CONCLUSIONS AND RECOMMENDATIONS:

GENERAL: Overall, the Review Team concludes that Regions I, V, VII, VIII, and X have implemented one or more significant changes from their traditional structures, and that more time is needed before judging whether the reorganizations have been successful. Whether any of the Regional reorganizations represents a model for the entire Agency should be carefully scrutinized, but only after they have had a reasonable opportunity to demonstrate their advantages and disadvantages.

Once the reorganizations have stabilized, and are ready for a more definitive analysis, a quantifiable method to evaluate the changes the Regions made will be essential. We acknowledge that some of the Agency's priorities are difficult to measure, either because they are qualitative, such as building partnerships, or require years to implement fully and assess impact. The Review Team believes, however, that a well-thought out evaluation process should provide data on the success of such programs, as well as assess their weaknesses and recommend improvements.

INNOVATIONS HOLDING THE MOST PROMISE FOR THE FUTURE WORK OF EPA: Because the Regional reorganizations have been in place only a short time, the Team does not believe that enough time has elapsed to make a complete and fair assessment about what innovations hold the most promise for other Agency offices. Nevertheless, the Team concludes that a number of promising concepts and constructs implemented by the Regional Offices bear watching and should be considered in future studies of the Regional reorganizations.

- **Region X's Definition of Core Processes:** The Team was impressed that before reorganizing, Region X examined the work it performs and identified seven core processes around which to design its organizational structure. We found the Region Office's overall approach to redesigning its organization to be logical and objective, and are interested to see whether this organizational structure proves to be more effective in achieving its intended results than those designed with less rigor.
- **Place-based Individuals.** In its reorganization, not only did Region X reaffirm the need for its four State Operations Offices (*Alaska, Idaho, Oregon, and Washington*), but it physically placed more Regional staff in communities that need hands-on assistance with their environmental protection efforts. The Region notes that

establishing these community-based offices is very expensive because of the additional expenses for rent, furniture, equipment, and other infrastructure necessities. However, the Team believes they may be worth the investment, particularly given the limited amount of travel dollars and the large geographic distances between the Regional Office and the states on the west coast.

- **Ecosystems Offices:** Regions I, VIII, and X created central units to manage and coordinate multi-media and geographic work, such as CBEP. Whether the rest of the Region Office remained single media (Region X) or moved to a multi-media structure (Regions I and VIII), establishment of these ecosystems offices has resulted in dedicated resources to Agency priorities that may not have received much support otherwise. If these offices live up to their potential, other Agency offices may want to consider forming such an organization.
- **Regional Teams:** Region V chose to keep its single-media structure in place, but overlay a team structure to address strategic priorities, such as ecosystem protection and pollution prevention. This team approach will require the Region Office to become more adept at matrix management. If these teams live up to their potential, they will serve as an alternative approach for those offices that want to pursue cross-media work without a dramatic organizational change.
- **“Assignments, Not Positions” Concept:** Region X, recognizing the reduced opportunities for advancement into managerial positions, has developed a rotational assignment concept. A key point of this concept is that managers do not “own” jobs anymore, and that managers and staff rotate through a variety of experiences throughout the years. The Team believes this is an intriguing concept that warrants future evaluation to determine its applicability to the rest of EPA.
- **Resource Focusing:** Region X hopes to try out its “resource focusing” effort during FY 1997. Resource focusing attempts to answer questions such as determining whether the Agency should take on specific projects, where to route them, and what our role should be in these projects. In making such decisions, reliance will be placed on such factors as risk analysis, resource considerations, and EPA’s value-added role. The Team believes this concept is promising and deserves watching to see how it works.

LESSONS LEARNED: In addition to a number of promising concepts and constructs implemented by the Regional Offices that bear watching, the Team concludes that there were a number of lessons learned from the FY95 reorganizations that should be considered when planning and implementing future Agency changes and reorganizations.

- **EPA State-based Offices:** States reacted enthusiastically to the creation, or the continuation, of focused, fully-authorized State-based offices. Region X maintained good, comprehensive communications with the States by retaining their State Operations Offices located in the State capitals. Region I located its State offices in

Boston, MA, but gave them full authority. In both cases, dedicated State offices minimized the disruption to the States during the reorganization transition.

- **Enforcement and Compliance Assurance:** There remains a high level of inconsistency among the Regions, both in terms of how each balances enforcement and compliance assurance efforts and the perceptions of Regional staff about what levels of effort are appropriate. There are also grave concerns about how to integrate and update data systems to allow tracking of multi-media and compliance assurance activities.
- **1:11 Supervisor-to-staff Ratio:** To achieve a Region-wide 1:11 ratio, most first-level supervisors are managing more than 11 employees, in many cases 20-30, in order to accommodate smaller immediate office staffs. The 1:11 ratio does not factor in the non-Federal staff managed by supervisors, such as contract staff and Senior Environmental Employees Program (SEEP) participants. EPA may not be well-served by such a large span of control, given the technical nature of our work and the need for program accountability.
- **Movement of Managers and Staff:** In deciding to move many managers and staff to new positions and programs, the Regions were not simply trying to reduce the number of managers to reach the 1:11 supervisor-to-staff ratio. They also were trying to foster cross-program knowledge and better support multi-media activities. This movement of managers and staff was disruptive to program delivery and customer service, partially due to the budget uncertainty of FY 1995.
- **Management Roles and Behaviors:** EPA's avowed new role for managers and supervisors is one of primarily coaching, mentoring, and empowering staff to handle technical issues and resolve problems. While this approach is appealing, the Team heard frustration from managers and staff regarding its practicality at EPA. Given the variety and public nature of the issues EPA deals with, managers are expected by internal *and* external stakeholders to attend to the resolution of environmental issues. Therefore, they are finding it difficult to focus solely on coaching and mentoring responsibilities.
- **Different HQ and Regional Perspectives and Priorities:** Differences still exist between Headquarters and Regional Offices related to Regional desire and need for autonomy and flexibility in responding to local environmental needs, and Headquarters' desire and need for the Regions to be held accountable for resources and national environmental program delivery. These differences likely were exacerbated during the FY 1995 reorganizations of both Headquarters and Regional Offices.
- **Designing, Reviewing and Approving Reorganization Proposals.** Several Headquarters officials believe they were not adequately involved during the design of the new Regional structures. A number of Headquarters managers and staff also

commented that the procedure for reviewing and approving reorganization proposals is flawed and should be revised.

OTHER ADVICE AND COMMENTS: The following comments did not fit easily into the Innovations and Lessons Learned sections of this report, but are still worth noting.

- **Planning, Budgeting, and Accountability Functions.** Regions I and V split up their planning and resource management functions in their reorganizations, while Regions VII, VIII, and X kept these functions together. The Team urges the soon-to-be formed OCFO and Regions, regardless of structure, to watch these functions carefully during the next 18 months to ensure that integration of the functions occurs.
- **Target EPA Efforts and Resources Better.** Several Regional employees and external stakeholders believe EPA has too many initiatives. They believe EPA would be better off if it focused its efforts on three or four areas, rather than trying to do something everywhere. Some Regional employees and State and industry stakeholders suggested that EPA needs to target its efforts and resources better toward areas where it can add the most value, and disinvest from those activities that are not highly value-added.

RECOMMENDATIONS:

RECOMMENDATION	SUGGESTED LEAD	SUGGESTED COMPLETION DATE
1. Give the Regions More Time: Senior Leadership Council should announce to the Agency it is allowing the Regional reorganizations an additional 18 months (January 1997 - June 1998) of operational experience in order to determine whether or not they produce longer-term benefits in delivering public health and environmental protection.	Senior Leadership Council	January 1997
2. Develop a Systematic Method to Evaluate Reorganizations: During 18-month period that the Regions are gaining additional operational experience, OARM should convene an Agency-wide workgroup to develop a process for assessing the success of reorganizations that includes both quantifiable and qualitative data. The final evaluation process should have Agency-wide consensus.	OARM	June 1998
3. Conduct an Analogous Preliminary Assessment of Headquarters Office Reorganizations. OARM should lead a review of the reorganizations which took place in Headquarters during FY 1995, similar to this Innovative Regional Structures Review, to identify lessons learned about what works and what does not.	OARM	July 31, 1997

RECOMMENDATION	SUGGESTED LEAD	SUGGESTED COMPLETION DATE
4. Conduct a Follow-up Evaluation to this Review and the Headquarters Review at the End of the 18 Months. In June 1998, OARM initiate/lead a follow-up evaluation both to this Review and the HQ review suggested in Recommendation 3 above, using the systematic evaluation process (see Recommendation 2 above) agreed to by the Agency. The follow-up study should have an Agency-wide perspective and include all Headquarters and Regional Offices.	OARM	December 31, 1998
5. Assess Differences in Balancing Enforcement and Compliance Assurance: OECA should analyze the differences among the Regions in their balancing of enforcement and compliance assurance activities and continue its efforts to communicate the relative priority and appropriate use of all enforcement and compliance assurance tools.	OECA	June 31, 1997
6. Improve Tracking Systems: OECA in concert with the OCFO should lead an Agency-wide effort to improve systems for tracking and crediting multi-media activities, EJ efforts, compliance assurance activities, their related environmental results, and sector-based approaches. These systems need to start with clear definitions of terms and break out of the media-specific focus on the "legacy systems."	OECA	September 30, 2000
7. Study the Effect of the 1:11 Supervisor to Staff Ratio: OARM should broadly assess the impact going to 1:11 has had on EPA, considering how to either make it more likely to work or provide more flexibility in its application. This study should factor in non-Federal staff managed by supervisors.	OARM	April 30, 1997
8. Assess Cross-Media Expertise via Movement of Managers and Staff: OARM should conduct a review of cross-program experience within the ranks of EPA management to determine to what extent tangible benefits can be identified, and at what cost. Based on the benefits and costs identified, the review should also look at how frequent and to what extent the movement of managers from program to program should be encouraged within the Agency. This assessment should factor in Region X's "Assignment, Not Positions" concept for rotating managers and staff every few year.	OARM	December 31, 1997
9. Find the Right Balance in Redefining Management Roles and Behaviors: OARM should expand on the management behavior guidelines in EPA's Reinvention Guidance to address finding the right balance between coaching/mentoring and more technical roles.	OARM	April 30, 1997

RECOMMENDATION	SUGGESTED LEAD	SUGGESTED COMPLETION DATE
10. Support the TeamEPA Project. OARM should provide necessary resources to implement the recommended national program activities; assess the extent of matrix management operations across EPA; and implement necessary activities and training to build this capacity. The Team also recommends that OARM quickly implement PERFORM (the new performance management system) at EPA.	OARM	April 30, 1997
11. Dedicate Resources and Strong Support for Processes, Training and Structures Needed to Build Regional Capacity in Working in Teams. This includes developing local programs to implement TeamEPA recommendations, clarifying and distinguishing interrelated roles and expectations of supervisors and team leaders, and building expertise to assist teams in successfully achieving goals.	Regional Administrators	September 30, 1997
12. Clarify Goals for Agency Initiatives: EPA senior leaders should develop Agency-wide agreement on goals/objectives for Community-Based Environmental Protection, Pollution Prevention, Environmental Justice, and other Agency initiatives, and define "measures of success" for tracking progress. The SLC should sponsor this exercise, and require the NPMs staffing the initiatives to lead development of the goals/objectives and success measures for their respective initiatives.	SLC (NPMs with lead for these individual initiatives would staff the SLC)	Before FY98 round of MOAs.
13. Annually Evaluate Regional Performance under the MOA Process, and later EPA's Planning, Budget, and Accountability System: If Regions are not meeting their commitments, determine the causes and whether there is connection between delivering on commitments and their organizational structures.	Office of the Chief Financial Officer (Agency lead with involvement from NPMs and Regions)	December 30, Annually.
14. Better Coordinate EPA's MOA Process: In establishing EPA's planning, budgeting and accountability system, OCFO should bring the different NPMs' MOA process onto the same time schedule.	Office of the Chief Financial Officer	June 30, 1997
15. Assess Small Programs in the Regions: Using performance measures, evaluate whether small programs — such as pesticides, toxics, UST, oil spills — have lost program effectiveness and/or efficiency as a result of the Regional reorganizations.	OPPTS/OSWER/OAR	June 30, 1997.
16. Strengthen EPA's Clearance Process for Reorganizations: OARM, in consultation with Headquarters and Regional managers and staff, assess the effectiveness of EPA's processes and procedures for designing, reviewing, and approving reorganization processes.	OARM	June 30, 1997

INTRODUCTION

BACKGROUND AND CONTEXT OF THE REVIEW:

CLIMATE FOR CHANGE: During the past three years, the U.S. Environmental Protection Agency (EPA) has undertaken cultural, programmatic, regulatory, organizational and structural reinvention. Spurred in large part by Vice President Al Gore's 1993 National Performance Review (NPR), EPA set out to change the way the Agency works.

In June 1994, EPA Administrator Carol M. Browner reviewed the Final Report of the Regional Enforcement Impacts Task Force and made a decision on how the Regions should reorganize their enforcement and compliance assurance functions to ensure effective interaction with Headquarters and effective cross-program coordination within the Region. She announced that the Agency's Regional Offices had to implement, *at a minimum*, Option 2 of the Task Force's Final Report: Creation of an Enforcement and Compliance Assurance Coordination Office and distinct enforcement and compliance assurance units within the current regulatory media program division to house all divisional enforcement and compliance assurance functions. The divisions themselves would maintain all of their current media program responsibilities, including enforcement and compliance assurance, and the Deputy Regional Administrator would remain the principal accountable official.

Any Region could go beyond Option 2 to create a consolidated Enforcement and Compliance Assurance Division, also known as Option 3. In keeping with the recommendation of the Task Force, if a Regional Office elected to implement Option 3, the Superfund program was to be kept separate from the Enforcement and Compliance Assurance Division; the Regions would have the flexibility to determine whether inspection resources should be housed in the Enforcement and Compliance Assurance Division, the Environmental Services Division, or both. The Administrator allowed Regions to fold legal enforcement resources into the Enforcement and Compliance Assurance Division, if in a given Region, a Regional Administrator, the Assistant Administrator for Enforcement and Compliance Assurance, and the General Counsel agreed that the program's best interest would be served by folding legal resources into that Division.

Not long after making her decision on Regional enforcement structures, Administrator Browner issued two primary guidance documents. The guidance was designed to move the Agency away from the traditional ways of thinking and operating, and toward ecosystem, sector-based, and cross-media approaches with greater focus on customers and employee empowerment:

- **EPA's FY 1995-99 Strategic Plan:** In July 1994, the Administrator issued The New Generation of Environmental Protection. The Plan's goals and guiding principles center around working more effectively and innovatively with our partners (Federal, State, local, Tribal, industry, and environmental) to anticipate and prevent pollution, to ensure equal environmental protection for everyone, and to become a well-

managed Agency with efficient and effective programs. The Plan is intended to be "a blueprint for change at EPA" that guides the Agency's planning, resource allocation, and decision-making processes from FY 1995-1999.

- **Reinvention Guidance:** In August 1994, Administrator Browner announced her decision to accelerate organizational and management change at EPA. To assist Agency managers in this accelerated process, she issued Reinventing EPA — Steps Toward a Stronger Workforce in September 1994. This reinvention guidance lays out the Administrator's reinvention goals — *shared vision/values, customer focus, diversity, working collaboratively, and redesigned organizations (including organizational attributes)* — and a framework for organizational, management, and cultural change.

In the reinvention guidance, the Administrator directed Assistant and Regional Administrators to prepare Reinvention Implementation Plans by March 31, 1995, and implement those plans by September 30, 1996. These plans were to lay out how each Headquarters and Regional Office would pursue the Agency's reinvention goals. In a November 1994 revision to EPA's reinvention guidance, the Administrator directed Assistant and Regional Administrators (AAs/RAs) to assess how well their organizational structures fostered their ability to meet EPA's reinvention goals and determine whether a reorganization was needed. Most AAs/RAs did determine that they needed to reorganize their offices in order to meet EPA's reinvention goals.

As EPA offices were planning and implementing reinvention and reorganization activities to meet the spirit and intent of the Regional Enforcement Impacts Task Force report, the Strategic Plan, and reinvention guidance, the National Academy of Public Administration (NAPA) released the results of a study requested by Congress on EPA's resource allocation and priority-setting. This report, Setting Priorities, Getting Results, was issued in April 1995 and contained themes consistent with those of EPA, such as enhancing Federal/State partnerships, building State capacity, and exploring alternatives to media-specific environmental protection.

FY 1995 REORGANIZATIONS: In August 1995, because of a potential 34% cut in EPA's FY 1996 budget, Deputy Administrator Fred Hansen decided to "freeze" the Agency's organizational structure in anticipation of a Reduction-in-Force (RIF). He announced that those offices which had submitted reorganization proposals which could be fully implemented by Fiscal Year-end (September 30, 1995) were allowed to proceed with their reorganizations and any associated reassignments. However, those offices with proposals that could not be implemented before September 30 were not allowed to proceed with their reorganizations.

As a result, as of October 1, 1995, the following EPA Regional Offices had reorganized: Regions I, III, V, VI, VII, VIII, and X. The following Regional Offices had not completed reorganizations: Region II (*Received approval but delayed implementation*); Region IV (*Received approval but delayed implementation*); and Region IX.

In the spring of 1996, the Deputy Administrator Hansen lifted the freeze on reorganizations and reassignments when it became apparent that EPA would not receive a severe budget cut. Regions II and IV then implemented their reorganization proposals which had been approved in September 1995.

Of all the reorganization proposals submitted in FY95, the **Regional** proposals received the most scrutiny by Agency managers and staff for two reasons:

- **Regions I and VIII Innovative—and Controversial— Proposals:** Regions I and VIII both designed their new organizations around the goals and guiding principles outlined in the Agency's Strategic Plan. The NAPA report specifically noted that the reorganizations proposed by Regions I and VIII, "if implemented successfully, could work in tandem with efforts to change the oversight relationships with States. Redirecting the energies of Regional staff toward cross-cutting issues would help break down the narrow media focus and encourage more innovative approaches to achieving environmental results." These proposals retained very little of EPA's traditional structure wherein both Headquarters and the Regions have a single media organizational structure. Not surprisingly, the proposals aggravated tensions between Headquarters and the Regions related to Regional desire and need for autonomy and flexibility in responding to local environmental needs, and Headquarters' desire and need for the Regions to be held accountable for resources and national environmental program delivery.
- **HQ Concerns About National Program Delivery:** The National Program Managers were concerned about the impact the Regional reorganizations would have on the Regions' ability to deliver national program priorities, such as implementing statutory requirements. Many Headquarters managers and staff believed that Agency offices could and should pursue strategic and reinvention priorities without changing organizational structures, given the dynamic nature of priorities at EPA. Moreover, they were concerned that Regional organizational structures which do not mirror the Headquarters media-based structure would make it more difficult for Headquarters both to hold the Regions accountable for achieving national environmental goals and priorities, and to track resources for media programs, both dollars and Full-Time Equivalents (FTEs).

On the other hand, the Regions believed that in order to be sensitive to State and local community needs, they must have flexibility in how they organize to carry out EPA's environmental programs. Regions I and VIII specifically believed that radical change from single media organizational "stovepipes" is needed to truly advance strategic and reinvention priorities, such as partnerships, customer service, empowerment, and multi-media and cross-media environmental protection.

During the summer of 1995, the Administrator approved the reorganization proposals submitted by Regions I and VIII, as well as proposals from other Regions which retained the traditional single media structure but added organizational units or Regional teams to foster strategic and reinvention

priorities. She had advised the Agency's Senior Leadership Council (SLC) — comprised of EPA Assistant and Regional Administrators, their deputies, the Inspector General and General Counsel, and their deputies — that she believed it was important to let the Regions experiment. She and the SLC agreed, however, that approval of these proposals is not the end of the reorganization process; Headquarters offices had raised important questions about whether multi-media structures can work effectively in implementing national programs, and those questions should be pursued.

REQUEST FOR INNOVATIVE REGIONAL STRUCTURES REVIEW:

On February 22, 1996, the Deputy Administrator asked the Acting Assistant Administrator for Administration and Resources Management (AA/OARM) to commission a review of the FY95 Regional reorganizations. He stated that "...the review should examine all of the Regional reorganizations, with a particular focus on those which broke with our traditional media-based structure, such as Regions I and VIII." In his request to the AA/OARM, the Deputy Administrator acknowledged that "...these reorganizations have only recently been set in place..." and that the Review Team's observations and conclusions would be preliminary. He added that this review will set the background for a more in-depth analysis in a subsequent Fiscal Year to allow offices that reorganized enough time to stabilize under their new structures and to begin to collect data from measurement and evaluation systems.

PURPOSE AND OBJECTIVES: Per the Deputy Administrator's request, the purpose of the Review was to conduct a preliminary assessment of the Regional reorganizations implemented in FY 1995 to:

- Identify the lessons we have already learned about what works, what does not.
- Note what changes hold the most promise for the future work of the Agency.
- Recommend what steps we might take to continue these innovations in other parts of EPA.

The Review Team's primary objectives included assessing how well the new organizational structures have enabled the Regional offices to:

- Pursue or achieve EPA's strategic and reinvention goals;
- Establish and/or use Regional systems for measurement and evaluation outlined in their reorganization proposals and reinvention plans;
- Pursue or achieve NAPA recommendations related to enhancing Federal/State partnerships, building State capacity, and exploring alternatives to media-specific environmental protection;

- Maintain or improve the integrity of resources management (contracts, grants, cooperative agreement, and financial management; budget formulation/execution); and
- Maintain or improve the integrity of program management.

To achieve these objectives, some of which overlap, the Review Team organized its work around three areas of study:

Strategic Priorities: This area focused on how well the Regional reorganizations have positioned the Offices to carry out the broad, highest-priority areas/themes/goals/guiding principles, outlined in the Agency's FY95-99 Strategic Plan, for the current and future work of the Agency. The specific strategic priorities the Team looked for in each Region included:

- Community-Based Environmental Protection
- Pollution Prevention
- Partnerships
- Enforcement, Compliance, Counseling, and, to a limited degree, Environmental Justice

Reinvention Priorities: This area focused on how well the Regional reorganizations have positioned the Offices to comply with EPA's reinvention guidance for new ways of operating and to achieve the Agency's reinvention goals:

- Shared Vision and Values
- Customer Focus
- Diversity
- Working Collaboratively
- Streamlined and Strengthened Organizational Designs

Accountability and Integrity: This area focused on whether the Regional reorganizations have positioned the Offices to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations, and central agency guidance. The specific priorities the Team looked for in each Region included:

- Resource and Management Integrity
- Program Accountability

In addition, the Team looked at the processes the Regions used to design, implement, and evaluate their new organizational structures, and the processes the Regions used to move managers and staff into new positions and/or new organizations resulting from the reorganization.

REVIEW PERIOD: March-November 1996

SCOPE: The scope of the review originally included all seven Regional reorganizations implemented during FY95. However, in order to reduce the travel costs and minimize the travel time required of the members of the Review Team, the Office of the Administrator and OARM agreed to cut the number of Regions targeted for site visits to a sample of four.

In selecting the four Regions for site visits, the Review Team focused on those with innovative structures: Regions I, VII, VIII, and X. The Team later added Region V to ensure that a large Region — and the unique concerns that a large Region may have — was included in the sample. The Team did not include Region II, IV, and IX in the sample because they did not reorganize during FY95. Regions III and VI were the only two Regions which reorganized in FY95 that the Team did not visit.

Of these five Regions selected for site visits, Regions I and VIII had the most innovative structures, meaning they had moved away from the traditional media-based structures; Regions VII and X maintained their media-specific offices, and supplemented them with multi-media offices to address Agency strategic priorities; and Region V maintained its media-based structure and overlaid a Regional cross-media and geographic team structure.

METHODOLOGY: The Review Team's study process involved the following four steps:

Background Review: The Team reviewed the programmatic, organizational, cultural, and management goals and guidelines in the Administrator's reinvention guidance and the Agency Strategic Plan; the reinvention plans and reorganization proposals submitted by the Regions during FY 1995; Agency comments on the reorganization proposals; and the decision memoranda signed by the Administrator approving the Regional reorganizations. The Team also identified overarching themes from the NAPA study.

Data Collection: The Team visited a sample of five Regions to collect data. Regional Team members arranged a series of interviews with selected internal and external customers and stakeholders of the Regions — including State, local, Tribal, industry, and environmental group representatives — selected Regional managers and employees, and Headquarters managers and staff. The Team gathered information on Regional communications, work flow, training or transitional assistance, and where available, examined systems for measurement and evaluation, metrics, and results measured to date.

Analysis: After conducting Regional site visits, the Team identified common and Region-specific accomplishments, promising developments and early results, issues for resolution, and lessons learned. From this analysis, the Team developed recommendations and next steps for the Deputy Administrator's consideration.

Documentation and Reporting: Finally, the Team documented its observations and recommendations in writing. This report serves as the written summary for the Innovative Regional Structures Review.

CHAPTER 1

ANALYSES AND OVERARCHING OBSERVATIONS STRATEGIC PRIORITIES

DESCRIPTION: *This area focuses on how well the Regional reorganizations have positioned the Offices to carry out the broad, highest-priority areas/themes/goals/guiding principles, outlined in the Agency's FY95-99 Strategic Plan, for the current and future work of the Agency.*

ABSTRACT:

- Community Based Environmental Protection has found a home in each Region, through specific structures (Regions I, VIII, X) and team approaches. Organizing around CBEP may hold some advantages in promoting resource commitment to this priority.
- Reorganizations generally consolidated Pollution Prevention activities, providing a home, visibility, focus and, in some cases, increased resources.
- Organizations with dedicated State and Tribal offices or units were perceived by States and Tribes as being more committed to building partnerships.
- It is too early to tell which of the two enforcement reorganization options (i.e., central coordinator/decentralized staff or enforcement division) is working better. However, both options have demonstrated strengths and several implementation tools are worthy of special note.
- Reorganizing for *enforcement* has had a significant impact on organization and delivery of *legal counseling services* in the Regions. There is no consensus as to which model works better.

COMMUNITY-BASED ENVIRONMENTAL PROTECTION (CBEP):

Regardless of organizational structure, this review confirms that CBEP has found a home and is receiving attention in the five Regions. Countless projects, with scopes ranging from small sites to multi-State ecosystems, are underway. This focus on CBEP is creating numerous opportunities for partnerships with States, Local governments and communities. It is greatly improving Agency staff experience in doing multi-media work. The Team found that CBEP projects are facilitating significantly greater cooperation between EPA and other Federal agencies.

The Regions reviewed have taken varied approaches to CBEP. Regions I, VIII and X have created major units or offices with a primary focus on place-based or ecosystem approaches. In Region I, the Office of Ecosystem Protection encompasses the Air, Water, RCRA, Pesticides and Toxics programs and has State units as an organizing approach to focusing on places and ecosystems. Region VIII created an Ecosystems Protection and Remediation Office, with an Ecosystem Protection Program subcomponent with multi-media staff and many teams. Region X created an Office of Ecosystems and Communities to create and effect a strategy to identify, develop and support ecosystem, geographic and place-based projects. Region V has taken a Regional team approach to CBEP, with team leaders, reporting directly to the senior management team, and team staff drawn from media program units. Region VII features a core ecosystem unit housed in the Water, Wetlands and Pesticides Division and project teams drawn from across media-based offices.

Although it is too early to confirm with hard data, it seems likely that organizing around CBEP may have some advantages in advancing this Agency priority. First is providing resources. Staff working on cross-cutting initiatives are frequently serving multiple “bosses” and often feel the strongest pull in the direction of their “regular job.” Organizing people specifically into place or ecosystem based units is more likely to align their primary pull with CBEP priorities. The Team notes that both Regions I and VIII were unique in reporting that they had achieved the goal of having 20% of their resources working on CBEP. But some Regions are struggling to get commitment of needed resources.

A second potential advantage is in signaling priorities. Having place or ecosystem-based offices gives a clear signal about the priority of CBEP. At the same time, individual, cross-media CBEP teams with strong senior management sponsorship, high visibility and dedicated resources communicate a clear signal as well.

Third is in the area of integration. It may be that integration of CBEP approaches into the every day work of more staff is easier to accomplish when it has a clear home base, rather than when it is overlaid on traditional media approaches. It is also possible that CBEP planning is more thorough when it is the basic work of an organization.

These potential advantages raise broader questions about the long-term role of CBEP at EPA. Is it a tool, technique or approach to be used when deemed appropriate, or should it become a cardinal approach to delivering environmental protection in the field? The fragmentation of CBEP at Headquarters and the different approaches taken by the Regions seem symptomatic of the Agency's

struggle to implement and evaluate CBEP. It may simply be too early in its evolution to decide how central CBEP should be to our future.

The Regions are encountering some challenges in implementing CBEP, regardless of structural approach. It will take larger Regional travel budgets, particularly in the West, to have the kind of on-site presence that the Regions think is needed for CBEP work. Region X has assigned some individuals to place-specific duty stations, with apparent success, but at significant cost. There is also a need for access to more “seed money” for these projects. The Regions believe that more dedicated funding or flexibility in use of current program funds should be considered. While CBEP projects provide terrific partnership opportunities, Regions are experiencing a need to ensure that States are in the loop at all the appropriate times to ensure State cooperation and avoid “turf” issues. Some Regional staff also expressed concern about the drain on traditional program resources to establish CBEP or other cross-media offices.

The Team noted a wide variety across the Regions in how CBEP is fitting in with Superfund. In Region VIII, the CBEP organization is in the same office with the Superfund Program; the whole office sharing a place-based orientation. In Region X, the Community Relations and Outreach Unit, in the Office of Ecosystems and Communities, is working with all Regional programs to enhance public involvement and use the Region’s Superfund community relations program to develop new public involvement strategies.

POLLUTION PREVENTION (P2):

All five Regions included in the review consolidated pollution prevention activities either in an organizational unit and/or through the establishment of a P2 team. Regions I, VII, VIII and X established P2 in an organizational unit. Region VII also established a team structure to assist the unit. Only Region V addressed P2 through the establishment of a team only. The Region V Pollution Prevention Team is headed by a full-time Regional Team Manager (RTM); the RTM reports to the Senior Leadership Team (SLT) and has an SLT “sponsor.” Region X’s approach differs somewhat from the other Regions that placed P2 in an organizational unit. Region X placed P2 in its new Office for Innovation, which was designed to advocate for and support others in exploring alternatives for improving environmental results and to identify opportunities to operate more efficiently/effectively. The new office will tackle new Agency initiatives, like pollution prevention, and “ready” them, as appropriate, for integration into the program offices. Region X hopes that eventually P2 will wither as a separate program and be absorbed as an important environmental tool by the various Regional media programs.

Overall, based on general perceptions, the consolidation of P2 activities in Regions I, V, VIII, and X seems to be working, irrespective of the organizational structure. The reorganizations provided P2 a home, visibility, focus, and in some cases increased resources in these four Regions. Industry representatives and external stakeholders were very complimentary of Region I P2 activities and believe the Region is moving in the right direction. Region V and X approaches appear to be working and enabling the Regions to address pollution prevention. For instance, the Region V P2 Team appears to be sufficiently empowered and staffed with innovative people to be action-oriented

and creative. The P2 Team does policy coordination and is supported by senior management in its efforts to encourage media offices to integrate P2 principles into their daily work. The head of the P2 unit is also the P2 coordinator.

While the reorganization gave P2 a home, some Region VIII staff believe there is a duplication of P2 efforts among the P2 Program, CBEP and the media programs. The Region is still sorting out the P2 responsibilities. P2 staff feel that they are held accountable for the program where they do not directly control it and must depend on the media programs for P2 results. Multiple program offices are reporting on P2 activities and coordination with Headquarters and the States has initially been more difficult. To help address this problem, OPPTS asked the Regional Office to identify a single point of contact for them to work with and the Region has negotiated a P2 MOA with OPPTS to help address the issue.

The Region VII Pollution Prevention Team is having difficulty obtaining broad Regional involvement. A cross-Regional voluntary committee was set up to help coordinate P2 activities but pollution prevention staff has seen little enthusiasm from Regional staff and managers. Committee meetings are poorly attended. Some Region VII P2 staff think believe Regional placement of P2 (i.e., a voluntary team within a media office as opposed to the RA's office) may signal a lack of Regional commitment to pollution prevention.

Headquarters OPPTS interviewees noted that consolidation of P2 efforts seems to work better than fragmentation of P2 by media. OPPTS specifically recognized Region VIII's P2 program as working well. OPPTS noted, however, that pollution prevention is a tool, but people do not know exactly what it is or how to use it. They further noted that, with the exception of occasional small "boutique" programs, the States are not really doing pollution prevention.

Overall, while there are some signs of success from some of the reorganizations, the Regional Review Team believes it is too soon to tell which of the different Regional approaches to pollution prevention will ultimately be the most successful. It will take more time to see if one organizational structure is better than another and whether placement or senior management support plays a bigger role in the success of pollution prevention. Success depends on the objective of the Pollution Prevention Program/Initiative. A clear definition of success for pollution prevention needs to be established before the reorganizations can be objectively evaluated.

PARTNERSHIPS:

COMMUNICATION DURING THE REORGANIZATION PROCESS: The Senior Leadership Council charged Agency offices with maintaining effective communication with external customers and stakeholders during their reorganizations. The States and Tribes clearly indicated the five Regions had made a serious effort to keep the States and Tribes informed about the progress of the Regional reorganizations. The Regional Offices solicited comments from the States and Tribes, and provided periodic updates as they implemented their reorganizations. According to the State and Tribal officials, the Regions generally succeeded in their external communications related to the

reorganization. The officials were generally complimentary of the communication efforts, even when they were doubtful about the success of the reorganizations themselves.

Many State officials indicated that they considered the reorganizations to be internal Regional concerns and preferred not to offer comments. One State official was clear: he told the Region he would not participate in its reorganizational process in order to avoid Regional interference in any future reorganization he might make in his own department. Several other State officials mentioned that they had offered suggestions but that those suggestions had not been used. They did not complain that the Regions had not used their comments, but rather that if the comments were not realistically going to be considered, they probably should not have been solicited.

Tribal officials were less concerned about the application of “reinvention” than they were to the changes the Regions were undertaking that would affect their working relationships. These officials stated that although they were kept informed, the Regions generally did not ask for their suggestions or comments about the reorganizations.

STATE REACTIONS TO THE REGIONAL REORGANIZATIONS: Reorganizations that involved significant management and staff shifts significantly disrupted the Regional Offices’ relationships with State partners. The more personnel shifts that were made, the more the disruption. State officials were more resigned than angry, but emphasized that they had lost momentum in their work due to losses in formerly well-known points of contact and institutional memory. The State officials were frustrated by the lengthy downtime in Regional attention to routine business caused by staff preoccupation with the potential effects of the changes on their own careers. Also, the Regions’ distraction from routine business was compounded by the threat of RIFs and by the government shutdown that occurred during the first quarter of FY 1996. The physical moves in some Regions exacerbated the disruption, with numerous phone numbers being changed, and without updated phone directories to offset the resulting confusion.

The disruption to State working relationships was less in those Regions which had existing State Liaison functions. This is not to say that they succeeded totally without complaint. However, States which had a well-identified Regional program team to work with — including troubleshooting and negotiating the new Performance Partnership program — attributed any absence of problems to the State Liaison functions. The key to the success of the State Liaisons appears to be their well defined roles and decision-making authority.

States especially appreciate the decisions of the two Regions with the strongest dedicated State Offices to maintain or create those offices. The following two Regions were singled out by State Officials as achieving a number of positive results, such as making the States’ transition to the Regions’ new organizational structures easier:

- **Region X:** Region X established State Operations Offices in the State capitols during the creation of the Region. When planning the reorganization, the Region decided to maintain these offices. However, the staff in these offices now report directly to the Director of each program office in Seattle. Formerly, the staff in each

State Operations Office reported to a Director of that office. One State official said this has resulted in faster responses than when the State Operations staffer had to work out problems internally before discussing them with Seattle.

The benefit of maintaining the State Operations Offices was clearly stated: EPA has had much more visibility within the States because of the permanent presence of staff in the capitals. EPA can better appreciate the views of its State partners, given the enhanced ability to communicate. Also, EPA also can coordinate better with other Federal agencies which also have offices in the capitals.

Region X expanded its network of State Operations Offices beyond the State Capitols to locations such as Yakima and Spokane, Washington, and LaGrande, Oregon, with the intention of building a place-based function in addition to their well-established State operations.

It should be noted that the State officials are not necessarily pleased with the Regional staff expanding beyond the State Operations Offices. The Review Team heard concerns that as Region works more intensely with local governments, it is at the expense of consultations with its State partners on community based projects.

The Region X State Operations and place-based staffs talked at some length about the effects of limited travel money. Their concern was reiterated by a State official who finds coordination difficult between the two Region X offices in his State. Without flexibility to travel in the Western States, particularly those with wide geographic distances and thinly spread populations, the Agency's ability to build support for or to explain its complicated programs is significantly reduced.

- **Region I:** Region I's reorganization established State Units and Liaisons specifically to improve delivery of their programs and services to the States. New England State officials expressed a significant positive response to these Units and their effectiveness. The State Officials in Region I were generally complimentary of the State Units, both the people who head or staff them and the degree to which they are empowered to address problems raised by the States. They appreciate having a clear point of contact.

Region V did not reorganize specifically around their States. Region V's State Coordinators pre-date the reorganization. However, the reorganization altered the Coordinators' responsibilities from an active role in the Region's relationship with the States to becoming one member of a larger team working with the States. Officials from four States were unenthusiastic when queried about the new State Coordinators, stating their observations that the Coordinators are not yet providing much difference in the level of service to the States. The Region's primary focus, in changing its delivery of services to the States, is to concentrate more on Place-Based functions. The Region has established an Outposting Regional Workgroup tasked with studying the feasibility of establishing State (Liaison) Offices in the Midwestern States.

The multi-media structures of Regions I and VIII are making the negotiation and implementation of the Performance Partnerships easier. Region VIII has a State Assistance Office reporting to a multi-media division with State Program Managers for each of its six States. The Region I State officials indicated their States traditionally had good relationships with the Region, but gave the Boston office very high marks for its progress with the negotiations for performance partnership agreements and grants (PPA/PPGs). With only one exception, all of the Region I State officials were clear that the creation of the State Liaisons was the overriding reason that the Performance Partnership negotiations are going so smoothly. The exception was the State official who sensed Regional staff resistance to incorporating the full flexibility into the PPA/PPGs as he thought had been promised.

Region V, which maintained its traditional media structure, set up a separate National Environmental Performance Partnerships (NEPPS) team consisting of representatives from each program, to negotiate between each of the States and the programs. The State officials indicated a cautious sense of the progress of the Performance Partnerships in the Region. The Region V States are proceeding with negotiations for all or part of the agreements and grants. Most talked about their sense of Regional staff resistance to the program, and their overall sense of the Region's struggle to implement the Partnerships. For example, one State official described the Regional staff as unable to answer the State's questions on programmatic trade-offs, which he interpreted as a conflict with the promise EPA made to change doing business as usual. A couple of the State officials discussed their perception of Region V staff resistance to the program, and stressed the need for more Agency training to implement the program properly.

State officials' perception of staff resistance was heard in several of the Regions. One official indicated that he sees a good deal of support at the program manager level for Performance Partnerships, but that it falls apart at the staff level with their placing the blame on their fear of being "nailed" by the Inspector General for incorporating insufficient specificity. He suggested that the staff seems generally uncomfortable with the new ways of doing business, and may be using the IG as a scapegoat. One other participant conceded that he has noticed the same reluctance in his own staff. This suggests that both Regional and State staffs are still feeling their way toward working comfortably with a new and complicated program. Nonetheless, this issue appears to be an important source of frustration for the States in observing EPA's initial steps in a program for which they have waited with a great deal of optimism.

One State staff member echoed the concern of some EPA Headquarters staff over the breakup of small programs. In this case, the State official referred to the breakup of the FIFRA program. This comment was notable in that it confirmed comments Headquarters officials said had been made to them by the States about how Regional reorganizations have affected the Region's ability to deliver united and coherent services for small programs. The State official said the FIFRA program was treated as a "poor stepchild" in both the Region and in Headquarters, and that the Region had taken a well-operating program and totally dismantled it. The program which once featured "one-stop shopping" now requires five or six separate calls to get a problem solved.

TRIBAL REACTIONS TO THE REGIONAL REORGANIZATIONS: Most of the Regions increased their focus and visibility with Tribal programs.

Region X established a Tribal Program with two co-managers working closely, on site, with Regional Tribal Coordinators. The co-managers report directly to the Regional Administrator. The Tribes see this direct reporting relationship as an important boost in prestige. However, they are watching to see how “bugs”, such as the office’s capacity to coordinate Tribal needs more effectively with the program offices, are handled.

Region V has had a solid relationship with its Tribes for some time. They were complimented by a Tribal leader for the effort that was made to consult with the Tribe during the reorganization process. The Tribal leader indicated his appreciation for the Regional Administrator’s commitment to working on Tribal needs, as is evidenced by the Regional Tribal Liaisons that have been in place for some time. The leader also said that from a Tribal point-of-view, the Regional recognition of multi-media activities has been needed. The Tribes have always had to work on a multi-media basis because of their inability to fund positions on an individual media basis.

ENFORCEMENT, COMPLIANCE, COUNSELING, AND ENVIRONMENTAL JUSTICE:

REGIONAL ENFORCEMENT OPTIONS: In June 1994, the Administrator announced her decisions about Regional reorganization of enforcement and compliance assurance activities and related legal resources. First, Administrator Browner decided to allow Regional variation. She recognized that each Region is unique, differing from all others in the nature of its relationships with its States and in its size and its program characteristics. She also recognized that having different Regional enforcement, compliance assurance, and legal structures would create some problems with coordination and consistency. In part to limit those problems, she allowed only two basic reorganization options: create an Office of Enforcement Coordination or consolidate enforcement activities. [Note: These two options were known as “Option 2” and “Option 3.” There was not an “Option 1” for the Regions to consider].

Enforcement Coordination Offices, known as “Option 2:” As one option, the Administrator directed that each Region create an Enforcement and Compliance Assurance Coordinating Office and structurally consolidate enforcement and compliance assurance functions within each existing regulatory media program division. This option was identified as “Option 2” in the Final Report of the Regional Enforcement Impacts Task Force. The coordinating office would report to the DRA who would be ultimately accountable for the implementation of the enforcement and compliance assurance programs. The media divisions would retain all of their existing media responsibilities but would consolidate all of their divisional enforcement and compliance assurance functions into single units. The Administrator accepted the coordination office option as the minimal reorganization a Region could implement based on her conclusion that it would meet the fundamental needs to ensure a) effective interaction with Headquarters and b) effective cross-program coordination within each Region.

Enforcement Divisions, known as “Option 3:” The Administrator also offered, and encouraged, another option for those Regions which decided they could go further. She authorized Regions to create a consolidated Enforcement and Compliance Assurance Division, the Task Force’s “Option 3.” Under this option, the Regional Offices would structurally consolidate most programmatic enforcement and compliance assurance functions into a single division. However, the Superfund program was to be kept separate and the Regional Office would have flexibility in deciding whether to place inspection resources in the new division, in an Environmental Services Division, or both. The Administrator, recognizing the potential problems associated with separating legal resources, nevertheless authorized the Regional Offices, in consultation with OECA and OGC, to move legal enforcement resources into the consolidated divisions. The Administrator encouraged adoption of the enforcement division option because of the support such a reorganization would give for the promotion of integrated, cross-program approaches to environmental protection.

Of the five Regions the Review Team visited, three selected the coordination office option: Regions V, VII, and X.

- **Region V:** Region V considered, but rejected, the consolidated enforcement division option, mostly based on the Region’s size and on input from its States favoring media-based enforcement. Instead, Region V established an Office of Enforcement and Compliance Assurance which has a small permanent staff and reports directly to the DRA. The Office serves as the principal contact for enforcement matters with Headquarters OECA and the States. Enforcement and compliance assurance functions within each media division was usually, by not always, consolidated into a single branch. Inspectors were moved into the media divisions from ESD. The Office of Regional Counsel retained enforcement and counseling attorneys, but they were reorganized on a multi-media basis. Perhaps the most significant aspect of Region V’s reorganization of enforcement and compliance assurance functions was the creation of a well-supported, cross-divisional Enforcement and Compliance Assurance Team, one of the 18 Region-wide teams. This team is headed by the Enforcement Coordinator.
- **Region VII:** Region VII also opted for the keeping enforcement capacity distributed among the major program offices, leaving all the attorneys in the Office of Regional Counsel, and creating an Enforcement Coordination Office. These decisions were based on the small size of the Regional Office and the history of strong working relationships within the Regional Office on enforcement matters. ORC reorganized along multi-media lines, simultaneously improving its internal communications and collegial management. The Regional Office maintained its Multi-Media Enforcement Committee because of its prior effectiveness. Also of note, about 65% of the field inspectors remain in ESD.
- **Region X:** In selecting the coordination office option, the Region reaffirmed what it essentially had in place already. “Ensuring Compliance with Environmental Laws” was one of Region X’s core processes identified prior to reorganizing, although enforcement reorganization was not uniformly understood by Regional staff to be

one of the principal forces driving the Regional reorganization. Region X's Office of Enforcement and Compliance Assurance has five employees to coordinate multi-media and Federal facility enforcement, track enforcement activities, and negotiate the Memorandum of Agreement (MOA) with Headquarters OECA. The Region's media offices, with the exception of Air, have single consolidated enforcement offices.

Two Regions, Regions I and VIII, chose the consolidated enforcement division option.

- **Region I:** Region I consolidated most of the Region's enforcement and compliance assistance resources in the new Office of Environmental Stewardship (OES). That Office has an Enforcement Unit and an Assistance and Pollution Prevention Unit. The Assistance and Pollution Prevention Unit is the largest organization of its type in the country; the unit works to provide technical and regulatory assistance to both industry and the public sector. OES has both attorneys and technical staff (although the non-legal Superfund enforcement staff is in the Superfund Division). Non-enforcement, counseling attorneys are now in the Office of Regional Counsel, and therefore separated from the OES enforcement attorneys.
- **Region VIII:** Enforcement reorganization was one of the principal drivers of the structural changes in Region VIII. After deciding to consolidate enforcement and compliance assistance resources, the Regional Office created a new Office of Enforcement, Compliance, and Environmental Justice (ECEJ). Enforcement attorneys were moved into ECEJ; counseling attorneys became part of a new Office of Regional Counsel. ECEJ has a legal unit plus a Technical Enforcement Program. That latter Program is organized by media, to promote communications with Headquarters, but cross-media sector and State teams were created to support State activities. Each case officer handles both compliance assurance and enforcement responsibilities.

It is too soon to draw definitive conclusions about which of the two enforcement reorganization options is working better. It will take many more months of experience with the various features of the Regional enforcement reorganization to fully evaluate them. However, the Review Team did hear several comments worth noting.

- **Communications:** Communications at the time of the planning of the reorganizations were probably inadequate between the Regions and OECA, and between OECA and other HQ offices.
- **Coordination:** As a result of the Regions' selecting different enforcement approaches, it is now more difficult for Headquarters offices, and in particular, OECA and OGC, to coordinate effectively with the Regional Offices and for the Regional Offices to coordinate among themselves on enforcement and counseling matters.

- **Multi-Media Enforcement:** Regardless of the option selected, one Headquarters office believes that multi-media enforcement efforts have improved. This suggests that internal Regional coordination is better, and that efforts to break down media barriers are showing results, under both available options.
- **Comments Related to Consolidated Enforcement Division Option (Option 3):** The Team heard several comments about how consolidation of enforcement and compliance assurance functions should improve the consistency of enforcement strategies across media programs. However, the comments seem to be more in the nature of predictions without verified results. Similarly, there was no strong evidence presented to support the general sense that those Regions with enforcement divisions had the edge on promoting both enforcement and compliance assurance and a slight lead on enforcement production; it still seems too soon to tell.

On the other hand, Headquarters offices expressed the concern, before the reorganization, that separating enforcement staff from program staff might leave small programs with less than critical mass, especially where the program was highly technical. It was not clear from our discussions in the Regional Offices that this fear was realized.

As noted above, the different Regional structures makes coordination with OECA more difficult. However, from a Headquarters point of view, coordination seems somewhat smoother now with Regions I and VIII (after initial, extensive disruption of communications with Region VIII); there was speculation that this is true because the Enforcement Coordinators may not have the same clout as the heads of the enforcement divisions. Data collection, in particular, seems more difficult where there is an ECO. From the Regional perspective, OECA seems not to have made all the changes necessary to coordinate with the enforcement divisions. In particular, we heard that OECA has not adjusted its reporting systems to fully track the progress of multi-media efforts.

- **Comments Related to Coordination Office Option (Option 2):** Several features of this option deserve discussion, beginning with the enforcement coordinator's offices and the cross-media enforcement teams. Notwithstanding the general sense from Headquarters that coordination on enforcement matters is perhaps easier where enforcement divisions exist, there was some evidence in Region V that the establishment of enforcement coordinators still contributed to improved coordination with Headquarters compared to what existed before the reorganization. The jury is still out in Region VII about the benefits of creating an enforcement coordination office.

For those Regions which picked the coordination office option, there seem to be at least potential benefits from having a strong Region-wide team to manage or coordinate enforcement. This was the majority sentiment in Regions V and VII, both of which have well-resourced, active, engaged teams. In both cases, the

enforcement coordinator chairs the team, and the ECO staff supports the Team's activities. The Multi-Media Enforcement Committee in Region VII was established before the reorganization; it continues to be an effective group, acting as a board of directors for enforcement policy, ensuring a fair measure of coordination even in the absence of an enforcement division. It is harder to identify concrete accomplishments of the new Regional Enforcement and Compliance Assurance Team in Region V. However, the Regional Office expects the team to be successful because the members represent a variety of Regional offices, they are typically supervisors, and they are well-supported by the ECO staff.

The Review Team heard little about the impact of the decision where to place the inspectors. Generally, in Region V, there was optimism that distributing the inspectors to the media offices would make them more available to perform inspections deemed necessary by the enforcement program. However, the Team heard no negative reactions to the retention in ESD of most of the Region VII inspectors.

COMPLIANCE ASSURANCE: The structuring of the compliance assurance function appears to have a pronounced impact on how vigorously it is implemented, as evidenced by the comparison of how Regions I, VII, and VIII addressed compliance assurance. In Region I, the Office of Environmental Stewardship is divided into the Enforcement Unit and the Assistance and Pollution Prevention Unit, the latter providing technical and regulatory assistance to industry and the public sector. The Region's conscious effort to adjust the balance between enforcement and compliance assurance was demonstrated by the creation of the separate unit. The staff of the unit, which is the largest such Regional unit in EPA, works on compliance assurance activities full-time. The organizational separation was designed, in part, to help build trust between EPA and the regulated community. While that trust takes time to grow, it appeared to the Review Team that, partly as a result of the restructuring and the efforts of the compliance assurance staff, industry has gotten the message that Region I was trying to do business in a new way. The OES staff acknowledged that they still need to be careful to coordinate enforcement and compliance assurance efforts, to improve targeting.

In Region VII, the reorganization did not change the compliance assurance activities, although the Regional Office is more focused on multi-media activities. The integration of the compliance tools is time consuming and more difficult to measure. In Region VIII, each case officer in the Office of Enforcement, Compliance, and Environmental Justice does both enforcement and compliance assurance.

Topics which came up repeatedly in the Team's conversations about compliance assurance were measurement systems and data integration. OECA generally finds information gathering adequate, even with respect to getting information about compliance assurance and compliance rates by industrial sectors. However, several Region X representatives complained that OECA's data collection system remains too oriented to media programs and fails to adequately measure compliance assurance activities and the related environmental results. Region VIII staff, pointing

out that “you can only manage what you can measure,” urged that the Headquarters systems be modified to track multi-media, sector, and EJ activities, and better define the terms. This was an area where the Regional Offices think that the Agency infrastructure clearly fails to support their needs. Overall, problems with measurement systems and data integration limit the Agency’s ability to tell good stories about our work.

Representatives of several Regions complained that they had received mixed messages about the relative priority of enforcement and compliance assurance. These messages, the Team was told, came from the Administrator, OECA, and the senior leadership of the Regional Offices. Considerable confusion still exists in most Regions, resulting, in the opinion of some, in inconsistent approaches across the Regions on how to best balance enforcement and compliance assurance efforts. This, in turn, results in confusion in the States and distrust in the regulated community.

This raises the question of whether the reorganizations produced lower enforcement numbers than in previous years. Staff in all Regions the Team studied indicated there was reduced enforcement in FY 1996. Few people pointed to the reorganizations as a significant contributing factor; rather, the shut-downs, the mixed messages, and the other budgetary factors seem to conspire to drive down production.

COUNSELING: As noted above, one of the features of the reorganization in Regions I and VIII, the Regional Offices which consolidated their enforcement and compliance assistance functions, was the organizational separation of the lawyers. In Regions I and VIII, the enforcement lawyers moved into the Office of Environmental Stewardship and the Office of Enforcement, Compliance, and Environmental Justice, respectively. The counseling attorneys went into reorganized Offices of Regional Counsel. In Regions V, VII, and X, attorneys performing counseling activities remained in consolidated Offices of Regional Counsel. In fact, most counseling attorneys are also enforcement attorneys. [For purposes of this discussion, “counseling” is used to mean the activities of the lawyers in the Regional Offices who provide advice to program clients about the media programs and various general law areas such as grants, contracts, appropriations, information law, employment law, cross-cutting statutes, property, and claims. The advice includes interpretations of statutes and regulations; the assessment of legal risks; and counseling about defensive litigation and related administrative adjudication. Such work is directly analogous to much of the work performed by OGC.]

There was no consensus about which structure worked better, either among Regional or Headquarters personnel. Generally, Regional attorneys preferred the structure their own Region adopted. It is possible, however, to report on a number of observations the Review Team heard. In Region VIII, some attorneys found that the separation of counseling and enforcement functions has provided a clarification of roles for both the enforcement and the counseling attorneys, which the Regional Office views as a positive thing for the program clients. There seemed to be general satisfaction among the ORC staff with their counseling workload and their professional opportunities.

In Region I, the attorneys in ORC noted that their organization now better reflects the split of Headquarters lawyers between OGC and OECA. Like Region VIII's lawyers, the Region I ORC attorneys saw some benefit in the separation because it tends to focus attention on the difference between enforcement and counseling work. Superfund legal work seemed to be an exception: the line between counseling and enforcement is more difficult to draw and the organizational separation of the attorneys may have created more issues than it resolved. The attorneys perceive that their program clients value having a central point of contact for counseling issues, where the counseling work does not get pushed aside by higher priority enforcement legal work. In particular, the clients appreciate having dedicated resources available to address general law issues. However, other ORC attorneys expressed dissatisfaction with the separation of enforcement and counseling.

Some of the initial opposition to the Region I reorganization of lawyers was based on a concern that the staff attorneys would have to limit their activity to just one specialty. To address this concern, ORC and OES set up a program to permit "workload diversity," i.e., allowing attorneys to perform both counseling and enforcement work and to perform legal services in a variety of media. While a number of attorneys have welcomed the opportunity to have a diverse workload, Regional managers acknowledge that the system is too complex. In particular, the Team heard complaints about staff attorneys' having to report to two or even three different supervisors. This is causing some confusion for the staff attorney, more work for the supervisors in managing a finely divided workload, and objection from some clients, in particular the Superfund program. Some attorneys felt pressured to work in multiple areas and feared losing the ability to become full experts in areas of their greatest interest. Supervisors reportedly are having some difficulty in keeping track of their staffs' work assignment. There are also issues about proper coordination in evaluating the work of the staff.

The overall sense from the Regional Office was that there are important benefits, in particular with respect to staff attorney morale, in allowing some degree of workload diversity. However, the system needed to be simplified to avoid problems of over-complexity. Regional management recognizes this need and plan to make some adjustments as part of its mid-course correction effort.

It is interesting to compare the experiences of the attorneys doing counseling work in Regions V, VII, and X. Region V's ORC was reorganized into two multimedia subunits. The importance of cross-media and multi-media capacity has been underscored by a new, random process for assigning most work to staff attorneys, under which attorneys must work on enforcement in various media areas and also are available to do counseling. Most attorney seem to like the diversity of their workload and the opportunity to learn new areas. Their clients, however, sometimes complain about the lack of continuity and the fact that assigned attorneys are often new to the media area.

In Region VII, as part of the internal reorganization of the ORC, two new multi-media branches were created and a system was established under which any attorney desiring assignments and cases in different media areas, or in both counseling and enforcement, could get it. This experiment has been successful, according to both managers and staff attorneys. Everyone who wanted the variety of work has gotten it. Multi-media capacity has expanded, as a result, and the ORC gained flexibility. These gains combined with the improved coordination and streamlined management of the ORC to make the Office more effective and a more satisfying place to work. Some attorneys noted that their

effectiveness was enhanced by the opportunity to perform both counseling and enforcement; this view was different from the general sense the Review Team got from Region VIII. It is interesting to note, however, that while several attorneys in Region VII said there was no conflict in performing both counseling and enforcement, they differed in how explicitly they notified their clients about what role they are performing on each assignment. There was general agreement that staff and managers in ORC rely heavily on subject matter experts to make the system work. As noted elsewhere in this report, Region VII's expert system seems to be working better in ORC than other parts of the Regional Office.

There is one final note about counseling. While most offices, if asked, would undoubtedly complain about inadequate resources, the Review Team repeatedly heard specific comments, particularly in Regions VIII and X, about the inadequacy of resources for the counseling function. In Region VIII, this might have been due to the allocation process following the reorganization. The Team heard the opinion expressed that stable and adequate counseling resources are particularly important at a time of change, because of the continuity the counseling attorneys can provide. One Headquarters representative noted that underfunding of counseling activities was a condition which predated the reorganizations, but the structural changes did little to improve the situation.

ENVIRONMENTAL JUSTICE (EJ): The Review Team was able to gather very little information about the placement of EJ function and innovative approaches used to promote EJ. The Team does know that the Regional Offices wrestled with both issues. Region V created a Region-wide team to address EJ activities. In Region VII, the placement decision was originally deferred. Ultimately, it was placed in the Enforcement Coordination Office, partly because the ECO has good contact with all the media offices. The goals of the placement were to underscore the importance of EJ and to align their EJ structure with Headquarters. Region VIII set up a new organizational unit for EJ. In Region X, EJ was placed in the Office for Innovation on the theory that the principles of EJ could be more readily integrated into the major program offices.

OTHER OBSERVATIONS ABOUT STRATEGIC PRIORITIES:

Worth watching over the next few years are the varied approaches to nurturing and implementing the Agency's strategic priorities taken by these Regions. Region VIII has explicitly structured its organization around the guiding principles in the Agency's Strategic Plan. Though less explicitly so, Region I's structure reflects the same approach. Region V has taken a matrix approach with high profile, cross-cutting teams. The leaders of these teams are highly-graded and report directly to senior management. Complimenting these teams is an Office of Strategic Environmental Analysis to help senior management analyze the forces acting on the Regions's environment and set the strategic course for the organization. Taking yet a different tack, Region X has created separate units, alongside but outside the traditional media units, to propel the strategic initiatives. The Office for Innovation is meant to serve as the hot-house for new approaches and ideas, testing them out in the Regional setting before transplanting them into the operations of the program divisions. Region X has also established an Office of Ecosystems and Communities to act as a catalyst for CBEP activities.

CHAPTER 2

ANALYSES AND OVERARCHING OBSERVATIONS REINVENTION PRIORITIES

DESCRIPTION: *This area focuses on how well the Regional reorganizations have positioned the Offices to comply with EPA's reinvention guidance for new ways of operating and to achieve the Agency's reinvention goals: Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Design.*

ABSTRACT:

- Though all made efforts, none of the Regions reviewed was able to build strong identification of a shared vision and values that drove the organizational change or explained why it was necessary.
- Each Region reviewed increased customer focus on external partners and stakeholders, such as States and Tribes. Reorganization disruptions, regardless of structure, caused short-term, yet still-significant effects on customer service.
- The hiring freeze and other budgetary complications contributed to little change in workforce diversity.
- To a significant extent, the five Regions eliminated the middle management layer.
- Teams are viewed as the key to making many things work, yet establishing successful teams has proven much harder than anticipated.
- Regions moved many staff and managers into new jobs as they implemented their reorganizations, causing significant disruptions. Although there are early positive indications, it is too soon to tell if the movement will yield the anticipated payoff in cross-training, cross-fertilization and overall facilitation of new ways of thinking and operating.

CONTINUED ON NEXT PAGE

- The five Regions met the mandate to reach the 1:11 supervisor to employee ratio. There is widespread dissatisfaction among staff and managers with the effect of going to 1:11. People are not seeing the changes in management roles and behavior, empowerment or administrative requirements that were anticipated.
- Though flourishing in pockets, empowerment has not taken hold as a result of the reorganizations.
- Not enough time has elapsed to tell if management roles and behaviors are significantly changing. Agency culture still fuels expectations that managers will be program experts rather than coaches, mentors and facilitators.

Overall, the Team observed that all five Regional Offices visited had all attempted to meet the spirit and intent of some or all Agency reinvention goals, particularly the goal of Streamlined and Strengthened Organizational Design. The component of the Organizational Design goal related to achieving a 1:11 supervisor-to-employee ratio was a key driver in all five of the Regional reorganizations assessed by this Team.

SHARED VISION AND VALUES:

EPA's Reinvention Guidance, Reinventing EPA - Steps Toward a Stronger Workforce, stated that central features of a reinvented EPA would be the cooperative creation of a shared vision and a commitment to common values. A vision — the ideal image of the future — was needed to show how each restructuring organization fit into the Agency's scheme for protecting the environment. The vision would be best created by group effort and was to be easily understood and continuously evolving. It was not to be merely something created at the top and imposed on the organization. Values, according to the Reinvention Guidance, are the broad principles describing ethical behavior, the way we respond to others, and the commitment to personal and organizational goals. Values form the basis for organization culture. When personal and organizational values align, there are increased levels of organizational commitment and understanding about Agency goals.

The Regional Offices visited by the Review Team varied with respect to the attention they paid to the collaborative creation and communication of a vision, for either the Agency or the Regional Office, and the conscious identification of organizational values. The senior managers generally had a fairly clear idea of the direction in which the Regional Office needed to move. Further, Regions VIII and X, in particular, consciously developed a vision statement through a group effort. Overall, however, the Team has concluded that the communication of the vision and values was insufficient to produce all the potential benefits, even within the Regional Offices which made a major effort. There was no Region where it was clear that everyone knew the vision and values. While the Team recognizes that it has been a challenge for the entire Agency to define its vision and

values with clarity and consistency, we conclude that the Regional Offices, for the most part, missed an important opportunity to build commitment for their new structure and ways of doing business.

It is important to recognize that several Headquarters senior staff noted that the Agency's senior leadership paid inadequate attention to articulating what they expected the Regional Offices to become as a result of the reorganizations. As a result, EPA made it more difficult for each Region to define its role in the overall effort to protect the environment.

CUSTOMER FOCUS:

Evidence of the Agency's emphasis on customer service can be found throughout the reinvention efforts of all five Regions. It is manifest both in decisions about organizational structure and efforts to change organizational culture.

Three of the Regional Offices studied now have State-focused organizational units which are being very well received by the States. Noteworthy are the three different approaches being taken. Region X, which historically has had Operations Offices in each of its States, decided to keep and strengthen these offices, to elevate the role of the directors of each office and strengthen the Operations Office staff reporting relationships with the media programs in Seattle. Region I established individual, multi-program units for each State within its Office of Ecosystem Protection. Region VIII brought together State liaison/project officers for each of its States in a State Assistance Unit. Similarly well received are the newly formed Tribal assistance/coordination units, which in most cases have newly added resources and report to higher levels of the organizations than in the past. Increasing use of CBEP teams, clearly focused on working with stakeholders, represents yet another example of greater emphasis on customer focus.

Focusing significantly more energy on external customers can have a downside. All Regions have a broad array of customer sets, many interested in being the primary customer. Focus on one may be at the expense of attention paid to another. In choosing to organize differently from Headquarters programs, Regions I and VIII may have signaled to National Program Managers that they were no longer seen as the dominant customer. Headquarters offices have found it harder to know who to contact, who has the authority to speak for the Regional Office, and have a harder time getting all the right players at national program meetings. These relationship strains and increased transaction costs understandably do not appear customer focused to these Headquarters offices which see the Regions as the implementation or service delivery arm for national programs.

The act of reorganizing, almost regardless of structure, had a short-term negative impact on customer focus. Many old networks of contacts with States, Tribes, Headquarters and others were disrupted as staff and managers changed positions and then took some time to adjust to new jobs. Many external customers commented that the Regional Offices became very internally focused in the late design stages and during implementation of reorganizations, leaving them out in the cold. For customers dependent on one point of entry or relying heavily on trust developed over a long-term relationship, this was a significant problem.

Ultimately, customer focus depends on an organization's operating approach and the attitude and behaviors of employees. In many respects, this aspect of customer focus is improving too at EPA. There is clear evidence that these Regions are increasingly working to facilitate stakeholder involvement in projects and decisions. External customers in Region I applauded a "new attitude" whether it was in working on an urban environmental initiative or focusing compliance assistance support to small businesses. CBEP projects in each Region are successfully demonstrating to many groups that EPA can be value-added partners in environmental protection.

Of particular note is the reinvention approach taken by Region X. At the outset they spent time identifying their core business processes and discussing them with a broad array of external stakeholders. They then designed their organization with these core processes in mind. Two of the seven core processes identified centered around customer focus: *Outreach and Environmental Information Exchange* and *Partnership and Capacity-Building*. Improving customer service was a clear driver in giving shape to Region X's new organization. An example of the outgrowth of this kind of customer focus was the creation of an Outreach Forum, where Regional staff with experience and responsibilities for outreach from across the organization come to share and build skills.

When an organization strives to be strongly customer focused, it is important for the messages to be the same at all levels. In some areas, most notably those involving increased flexibility for States, this is proving a significant challenge for EPA. State senior managers have been hearing clear signals from senior Agency leaders in Washington, D.C. and in the Regional Offices about a more flexible approach to how things get done once we have agreed on outcomes. In some instances, that message of flexibility is not yet fully embraced by the staff negotiating the details of work plans. This external concern about message and attitude alignment within EPA was also reported in the enforcement and compliance assistance programs.

DIVERSITY:

As part of their reorganization/reinvention activities, EPA Offices were supposed to take into consideration cultural diversity issues. The term cultural diversity encompasses not just race, gender, and ethnicity, but also a variety of other characteristics such as age, functional and educational backgrounds, organizational tenure, size acceptance, sexual orientation, other lifestyles, and geographic origins. Having and valuing a diverse workforce can better help EPA achieve its mission to protect the environment by providing a wide-range of views and different ways of approaching challenges than could otherwise be obtained by having employees who all possessed similar characteristics.

The Team is unable to evaluate the impact the Regional Offices' reorganizations had on cultural diversity. When we asked management and staff if their reorganizations had a positive or negative influence on cultural diversity, their responses were based on traditional Equal Employment Opportunity (EEO) measures rather than the broader characteristics encompassed by cultural diversity. Part of the reason for this may be that cultural diversity is harder to measure than traditional EEO characteristics. For example, it is much harder to create a data base that captures the kind of qualities envisioned by cultural diversity as compared to EEO.

However, the Team would like to point out that in our discussions with management and staff at all five Regional Offices, it was clear that in developing and carrying out their reorganization plans all of the Regions tried to at least maintain diversity at both the management/supervisor and staff levels. Based on comments from management and staff, it appears they were largely successful in their efforts, although some minority staff feel that more could have been done to broaden diversity in the management ranks, particularly at the Senior Executive level.

STREAMLINED AND STRENGTHENED ORGANIZATIONAL DESIGN:

The Reinvention Guidance encourages Agency decision-makers to design flexible, flatter structures that enable their organizations to better manage their programs, adapt to change, and respond to new opportunities. New structures are to: have fewer organizational layers; redeploy administrative staff to front-line customer service organizations; be more flexible; and satisfy six organizational "attributes" developed by EPA's Senior Leadership Council.

REDUCED ORGANIZATIONAL LAYERS: In the process of reducing the size of management, two impacts were noted. To a significant extent, the Regional Offices eliminated the middle management layer. For instance, Region X eliminated all branch chief positions. The Regions eliminated a fair number of deputy positions as well. The Team heard concerns that some functions played by these eliminated layers are not being performed anymore, while others have fallen to first-line supervisors, adding further to the demands and stress of these positions.

The Regional Offices all made a conscious effort to move as many of the former managers as possible into front line positions, leading projects and working directly with customers. Whether as project managers for important, high-visibility projects, or as technical experts, some of the former managers are thriving. For many, however, the transition from managerial jobs to less clearly defined roles has been difficult.

FLEXIBILITY: Each Region hoped to build more flexibility into its new structure with increased use of teams operating across organizational boundaries. Some are oriented around specific geographic areas, others around agency themes or initiatives, and still others around specific projects. In theory the Regions will establish specific teams as the need arises, with the intention of dissolving them when they complete their task. This early in the process, we have only seen the proliferation of them. If this approach is to succeed in the long run, employees will need to be able to work well on multiple teams and be able to balance working for more than one boss. So far, the Regions are all finding it more difficult to get successful teams off the ground than they had hoped. Not everyone has good team skills and building a successful team dynamic takes time. Successful teams also need explicit goals and the resources and management support to accomplish them. It is too soon to tell how much flexibility the teams approach will provide in the near term.

ATTRIBUTES: In November 1994, the Senior Leadership Council identified six organizational attributes that Assistant and Regional Administrators were to use in determining how best to structure their organizations: *Accountability; Communication and Coordination; Customer Focus; Integrity, Efficiency and Effectiveness; (Program) Measurement and Evaluation; and Reinvention and Streamlining*. Specific observations on *Customer Focus*, also a reinvention goal, are described earlier in this Chapter. *Accountability* and *Measurement and Evaluation* are described more fully in Chapter 3 of this report. The entire Chapter 2 essentially addresses *Reinvention and Streamlining*. The Team's observations on the remaining attributes follows.

- **Communication and Coordination:** The inconsistencies in organizational structure across the Regional Offices have created a number of problems. At the Agency level, it is increasingly difficult for Headquarters program offices to explain just how their national program works and to defend this variation "on the Hill", i.e., to Congress, or to national groups interested in program consistency. There has been significant disruption between Headquarters and the Regions while trying to link multi-media Regional units to media-specific Headquarters offices. This linkage issue was also problematic for some of the States. Significant movement of staff and managers into new jobs has also been disruptive. Program staff in Regions are also struggling to identify and rebuild networks of people with similar expertise across the Regional Offices. In some cases they still do not know who to call in other Regions.
- **Integrity, Efficiency, and Effectiveness:** In incorporating this attribute in their new organizational designs, EPA managers were to ensure that the new structures maintained or improved the efficiency and effectiveness of EPA programs, functions, and services. The Team has three major observations about the integrity of Regional programs:
 - **Small Programs:** The long-term health of some of EPA's small programs (e.g., pesticides, toxics, underground storage tanks, oil spills) is of serious concern to both Headquarters managers of these programs and many Regional staff. Although all Regions were conscious of the potential problems as they considered organizational designs, most of the Regional Offices either broke up some small programs or moved them into new groupings and under new management. Pesticides staff in Regions I and VIII expressed particular concern about critical mass and increased transaction costs. These programs have encountered more-than-average disruption in communications and changed transaction costs. It is too soon to tell how readily these programs will revive in their new settings or whether there will be a long-term loss in program efficiency and effectiveness. EPA should pay close attention to the vital signs of these programs over the next year or two.

- **Superfund Program:** Regions I, VII and VIII consolidated Superfund remedial and removal programs as part of their reorganizations, although none identified this as a driving influence. In Regions V and X, the predecessor Waste Divisions were divided to create a Superfund office. The Regions believe the consolidation or focusing of the program under a single director has enhanced program flexibility and strengthened Superfund overall.

One consequence of the Superfund consolidations has been that the laboratories in Regions I and VII have returned to the more traditional “ESD” organization of the pre-Superfund days, with laboratory and field units. These offices now have environmental measurement and analysis as their primary focus. At the other end of the continuum, concerns about customer focus led Regions V and VIII to dissolve their ESDs and move the functions into other offices. It is too soon to tell whether the program offices will benefit from incorporating these functions and whether these Regions will be able to maintain the levels of technical expertise necessary to have a robust analytical program.

- **Multi-Media Programs:** Whether in new multi-media organizations or through involvement in cross-media teams, it is clear that all the Regional Offices are investing heavily in providing multi-media experience for their employees. The learning curve challenges presented to many staff have generated some down-time and increased transaction costs in operating these programs, but all the Regional Offices are making this investment quite consciously. It is too soon to tell how quickly this investment will be repaid.

OTHER OBSERVATIONS ABOUT ORGANIZATIONAL DESIGN:

- **Alignment with Headquarters:** Though free to design their own structure, Regions ultimately had to make a major choice between a structure that fundamentally mirrored Headquarters or broke new ground. Regions I and VIII chose to make alignment with Headquarters one factor among many. While alignment with Headquarters did not turn out to drive the macro-structure in Regions I and VIII, it is worth noting that the substructures within each Region’s multi-media offices bear a considerable resemblance to the Headquarters media-based programs. Regions V and VII made conscious decisions early on to place a premium on retaining alignment with the Headquarters’ structure. After identifying core processes, Region X’s Design Team recommended, and the Region’s senior managers agreed, that the Region should retain its media-specific programs and supplement them with new offices directly responsive to Agency strategic and reinvention goals.

Lack of structural alignment with Headquarters offices is perceived by some in Headquarters to be at the heart of inefficiencies in communication, coordination and transaction costs. It raises questions about who to call, who has authority to speak for the Regions, how many people have to attend national meetings.

NEW WAYS OF OPERATING:

Vice President Gore's 1993 NPR report recommended that Federal agencies double their supervisor-to-staff ratio by the close of FY 1998. Doubling the supervisor-to-staff ratio was intended "to give decision-making power to those who do the work, pruning layer upon layer of managerial overgrowth." Increasing a manager's span of control was to have many results, including:

- Empowering employees to be innovative and accountable for serving customers and getting results.
- Promoting a change in management behavior from "command-and-control" to coaching and mentoring employees.
- Promoting a change in the role of managers from technical experts to organizational leaders.
- Reducing organizational layers, where appropriate, to achieve flatter, more flexible and less bureaucratic structures.
- Fostering teamwork as a flexible and collaborative means for carrying out work.
- Expediting the flow of information between frontline Federal workers and top agency administrators.

To address the NPR recommendation, as well as a September 1993 Presidential Memorandum to Department and Agency Heads, "Streamlining the Bureaucracy," EPA had to double its ratio from 1:5.5 in September 1993 to 1:11 by September 30, 1998. In September 1994, Administrator Browner — in order to accelerate the process of organizational and management change at EPA — decided to move up the deadline for EPA offices to reach 1:11 supervisor/staff ratio by two years. In order to reach the 1:11 ratio by September 30, 1996, most EPA offices reorganized in some form or fashion.

In assessing the Regional reorganizations, the Review Team considered progress the Regional Offices made in reaching the results envisioned by the NPR, particularly the *1:11 Supervisor/Employee Ratio, Empowerment, Teams, and Redefined Management Behavior*. The Review Team also considered any training or transition assistance that the Regional Offices have offered or are offering to help their managers and staff operate in a new way — one that is more effective, flexible, and responsive in achieving the Agency's environmental mission and in addressing the nation's environmental challenges.

1:11 SUPERVISOR-TO-STAFF RATIO: All five of the Regional Offices visited by the Team achieved the 1:11 supervisor-to-employee ratio during FY 1995, one year before the Administrator's accelerated deadline. To reach the 1:11 ratio, the Regional Offices had to eliminate organizational or management layers, which is consistent with the NPR. For instance, Region I reduced its number of managers from 92 to 63 by eliminating many middle manager positions. Region VII went from 74 managers to 41 by eliminating a layer of supervisors Region-wide. Region VIII decreased its number of managers from 88 to 46 and eliminated at least one layer of management, the Deputy Director and, in some cases, the Section Chief. Region X reduced its number of supervisors from 76 to 46 by eliminating the second-level supervisor positions, the Branch Chiefs. To assess how the 1:11 ratio is affecting Regional operations, the Team talked with Regional senior managers, supervisors, former supervisors who moved into nonsupervisory positions, and staff. The Team also interviewed Headquarters managers and staff, and State and Tribal representatives.

For the most part, the Team heard incredibly negative comments about the effect of reaching 1:11, even from senior managers in the Regional Offices. Most Regional managers and staff feel that the mandate for agencies to double the existing span of control is not grounded in any analysis or critical evaluation of the Agency. The Team heard "arbitrary" on more than one occasion to describe why 1:11 as opposed to any other ratio. They also believe that the one-size-fits-all mandate does not take into account the different types of work performed, and the varying amounts of supervision that are required depending on the work. A few argue that it does not recognize the special role that Federal managers play in safeguarding the integrity of programs and activities funded with American tax dollars. Nevertheless, managers and staff at all levels and in all five Regions are doing the best they can to adjust to the wider span of control, but it has not been easy and they are struggling.

To achieve a Region-wide ratio of 1:11, many first-line supervisors are managing far more than 11 staff in order to accommodate smaller Immediate Office staffs. The 1:11 also does not account for those people supervisors must manage who are not part of the EPA FTE count, such as Senior Environmental Employee (SEE) program enrollees.

The wider spans of control in the Regional Offices are complicated by a variety of factors:

- Managers of new multi-media offices have more programs to manage, in addition to more people.
- Some managers are new to supervision, having been promoted as a result of a reorganization placement process.
- Some managers and/or their staff, reassigned as a result of a reorganization placement process, are working on programs with which they are unfamiliar and having to learn.
- Some managers with more people and more responsibilities are expected to "get out to the field," so their staffs feel orphaned. We heard frustration about this from both managers and their staffs.

These factors, collectively and individually, are contributing to a climate of frustration in the Regional Offices, particularly since managers and staff believe they are not yet seeing the anticipated payoffs, most notably empowerment and redefined management behavior.

The Team did hear a few positive comments about the effect of going to 1:11. For instance, many managers and staff in Headquarters and the Regional Offices agree that the Agency's old ratio of 1:5.5 was probably too low and needed to be increased. Some thought the NPR performed a service in raising this issue to the attention of decision-makers at EPA and across the Federal Government.

Also, numerous employees also felt that 1:11 forced Agency senior leaders to recognize the need to fix a host of broken infrastructure systems, such as performance appraisals, rewards and recognition, and dual career tracks for managers and non-managers. On the other hand, however, many commented that EPA had not fulfilled its obligation to fix these systems before mandating that offices achieve 1:11, and that now managers are overwhelmed with supervisory, program management, *and* administrative responsibilities.

Finally, empowerment is working in pockets of the Regional Offices, possibly as a result of going to 1:11. Most notably, the Region VII Office of Regional Counsel seems to be running more smoothly because of its "expert system" for using former supervisors, increased empowerment, fewer layers in decision-making, and improved internal communications. In Region VII, some staff view the move to 1:11 as a positive experiment in empowerment.

EMPOWERMENT: Managers and staff in the Regional Offices generally agree that greater empowerment has not yet taken hold as a result of the reorganizations. The general feeling is that those managers who were predisposed to empower employees before the reorganization are still exhibiting that behavior, and those employees who were predisposed to be empowered before the reorganization are still accepting that challenge. There seem to be a variety of reasons that empowerment has not yet taken hold.

- As noted earlier, the FY 1996 Government shutdowns disrupted plans for training and transitional assistance that give managers and staff the tools and skills needed to do their jobs well.
- The reorganizations have only been in place less than a year, and changing behaviors that have been "locked in for decades" will not happen overnight.
- Managers of new programs with large spans of control are struggling to learn the jobs themselves, and are unsure of what should be delegated to empowered staff and what they should keep a hand in. Therefore, experienced employees who are used to proceeding without much supervision now are having to explain each action they take to these new supervisors and feel less empowered.
- Some staff may simply not be ready or willing to be empowered, even when the opportunity presents itself. Supervisors with larger spans of control are not able to

spend as much time on the technical details of all ongoing activities, but may have to spend more time with those employees who do not want to accept full responsibility or accountability.

- Some managers are not yet willing to “let go.”
 - Many throughout Headquarters and some States expect Regional managers to know the technical programmatic details and serve as the primary contact.
-

REDEFINED MANAGEMENT BEHAVIOR: The linkage of empowerment to redefined management behavior is a strong one. If a manager does not trust capable employees, or does not choose to give them the freedom, skills, authority, and accountability to get their jobs done, empowerment will not happen. Key to fostering empowerment is successful redefinition of the management role at EPA. The Team believes that not enough time has elapsed since the Regional reorganizations were implemented for management behaviors to truly change. We also believe that the disruption of the FY 1996 Government shutdowns and the resulting limits on training and transition assistance during that critical time have delayed the change.

At the Senior Executive level in a few of the Regional Offices, there seems to be more emphasis on working together as a management team to focus on bigger picture, strategic issues, and delegating the technical matters to first-line supervisors and their staffs. For instance, the senior leaders in Regions VII and VIII stated that they are trying to model the behaviors they would like those under them to exhibit: acting as a team, consensus-building, and “corporate leadership.” A few staff in Region VIII did indicate that they had observed this new behavior. However, a number of staff in Regions I, V, and VII commented on the fact that the SES managers seemed to “feel no pain” in terms of having to change their behaviors.

A number of first-line supervisors the Team interviewed believe that the concept of managers as coaches and facilitators is oversimplified. They believe that there should be a balance between the “human resource” responsibilities of coaching and mentoring, and program management responsibilities for which they are accountable. Part of their frustration is that in reorganizing, the Regional Offices spent considerable time talking about the new *behaviors* that managers are supposed to demonstrate, but did not effectively define the new *roles* of managers at all levels. For instance, Region X senior managers clearly defined the new behaviors that managers are supposed to exhibit, but did not effectively describe the resulting change in the roles and responsibilities of Executive Team managers, first-line supervisors (i.e., the Region’s “unit supervisors”), the senior nonsupervisors (former managers), and staff. For instance, who has signature authority? Who concurs? As another example, Region V emphasized the role of the Team Leader positions in program management so much that the first-line supervisors believe their roles were devalued, that their role now is merely “human resource managers” who sign time cards and leave slips.

Many supervisors are torn in attempting to empower their staff to perform the day-to-day program management because their own managers, Headquarters, or even their State and Tribal customers, expect them to know the details of the programs and serve as technical experts. Their empowerment

efforts are further complicated by some Headquarters and States preferences to deal only with managers. The Team's discussions with Headquarters managers and staff seemed to validate this sentiment. Many sympathized with the Regional Offices because they believe they themselves are expected to know the details in their discussions with the Administrator's Office, Congress, and other parties.

Another complicating factor is the resentment of some former managers whose supervisory positions were eliminated as a result of the reorganization. While the Team heard from a number of these former managers that they are relieved to no longer be supervisors, others did express a sense of "failure." Some managers and staff raised concerns about their perceptions that certain former supervisors are weakening the new structures and Regional efforts to instill new patterns of behavior. Despite these perceptions, the Review Team noted that some former supervisors are flourishing.

TEAMS: To move towards a more collaborative way of working together, and to increase flexibility in program management, each of the Regions visited are making a real effort to work more in teams. They recognize that this does not happen overnight and are helping managers and staff learn how to build the skills needed for successful team work.

Senior leadership is modeling more effective team work by working together on more corporate and strategic leadership. As they strengthen in this way, they risk pulling away from the rest of the organization. The Team heard first-level supervisors in Region X say that they felt a widening gap between them and the senior leadership team. Region VIII's Regional Leadership Team, comprising 50 program and senior managers, shows promise for building better participative decision making and better communications among the Region's managers.

Creating a team-based organization requires that structures and processes are in place to provide the necessary support and training for teams. Region VIII's Change Team, and Region X's Organizational Effectiveness Team and Teaming Cadre are positive examples of these kinds of structures. Region VII is implementing a major team training effort. These supportive efforts will be extremely important in addressing the findings of the Review Team regarding a lack of understanding on what is a team, and when and how to use teams, as well as a lack of clarity in definition, roles and responsibilities for teams, team leaders and team members. The Agency has yet to put in place the national systems which will support and encourage team behavior (e.g., performance appraisal and recognition systems.)

Some major cross organizational teams (e.g., Region V's enforcement team, Region VII's multi-media enforcement team) are working well. Key ingredients for success seem to be high visibility, having a well defined mission, senior leadership team support, and full time leadership. The Team found that some organizations have set up matrix management structures as a way to work more collaboratively through cross-organization teams, although they do not seem to have the necessary knowledge or skills to do so effectively. The Review Team did not find much evidence that Regions were providing support in terms of skills and training specifically geared toward managing in a matrix environment or working in matrix teams.

Some failures in using teams are giving the word a bad name, creating a perception that using teams is a fad that will be dropped when the new "flavor of the month" comes along. The Team heard comparisons to prior TQM programs. While not implying that Region V's Regional Teams are not working, we note that those teams are seen as "superstar" vehicles. There is also a perception that some Regions are using teams as a way to address the issue of what to do with former supervisors, by moving them into team leader positions.

TRANSITION ASSISTANCE: Each of the Regional Offices recognized the need to assist Regional employees in learning to operate in a new, less hierarchical and bureaucratic way that fosters empowerment, new management behaviors, and teamwork. For instance, Region I has offered placement process counseling, and all the Regional Offices are exploring and offering training on teams, mentoring, dealing with change, and career counseling.

The Review Team noted that transition assistance has been less available for staff in some Regions, focusing more on the management level. In addition, there has not been adequate support for people moving into new areas or new positions. The lack of training or transition assistance for this staff is especially acute if their boss is new to the program or position as well.

CHAPTER 3

ANALYSES AND OVERARCHING OBSERVATIONS ACCOUNTABILITY AND INTEGRITY

DESCRIPTION: *This area focuses on whether the Regional reorganizations have positioned the Offices to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations, and central agency guidance.*

ABSTRACT:

- The budget, finance, contracts and grants operations of the Regions were not significantly impacted by the reorganizations.
- Reconciling the ever-increasing emphasis on multi-media work with the Agency's media-specific budget structure is a continuing challenge for the Regions.
- Although there is no question that there were short-term downturns in productivity due to implementation of the reorganizations — as well as the FY 1996 Government shutdowns, EPA's potential 34% budget reduction and RIF situation — it is too soon to tell whether the reorganizations have had a lasting affect on program efficiency, effectiveness and accountability.

NOTE: In reviewing this area, the Team was sensitive to the unique nature of the fiscal climate in FY 1996. During the first quarter of FY 1996, and part of the second quarter, EPA faced a potential 34% cut in its budget. During the entire Fiscal Year, EPA operated under 14 Continuing Resolutions before finally receiving an enacted Operating Budget. Two Government shutdowns and 14 Continuing Resolutions in one Fiscal Year is unprecedented in EPA's history.

The Review Team looked at two issues related to Accountability and Integrity: Resource and Management Integrity, and Program Accountability.

RESOURCE AND MANAGEMENT INTEGRITY:

In the area of Resource and Management Integrity, the Review Team tried to get an idea of how the Regional reorganizations have affected the Regions' budget, finance, contracts, and grants operations. The Team sought answers to three basic questions:

- **Effect of Reorganizations on Resource Management Activities:** What effects did the Regional reorganizations have on both the structure and processes of the Regions' budget, finance, contracts, and grants activities?
 - **Charging of Activities to Appropriate Program Budget Elements:** Are the Regional Offices able to charge their activities to the appropriate program budget elements, especially those Regions that made the most significant changes?
 - **More Effective Use of Resources:** As a result of the reorganizations, are the Regional Offices more effectively allocating their resources?
-

EFFECT OF REORGANIZATIONS ON RESOURCE MANAGEMENT ACTIVITIES: With two exceptions, the budget, finance, contracts, and grants operations of the five Regional Offices visited were not significantly affected by the reorganizations. Typically, only minor changes were made to organizational structures in those areas to achieve the 1:11 supervisor-to-staff ratio. For example, one Region consolidated contracts and small purchases, and another combined contracts and facilities. More importantly, there was not much movement of people, especially the key people such as the Budget Officer and the Financial Management Officer (FMO). As a result, these organizations retained both their institutional memory, as well as many of their most experienced and talented personnel. This was fortuitous given the problems the Agency had in obtaining its FY 1996 budget.

The two major changes involving resource management activities took place in Regions I and V, which transferred their planning functions from the resources management organization to other organizations. Region I placed the planning function in its Office of Ecosystems Protection, while Region V placed the function in its Office of Strategic Environmental Analysis. Both Regions' budget offices remain involved in the planning process, but no longer lead those efforts.

The splitting of the planning and resource management functions in Regions I and V is notable because NAPA's report, Setting Priorities, Getting Results, includes a recommendation that EPA merge the two Headquarters offices with leads for these functions — the Office of Policy, Planning and Evaluation (OPPE) and the Office of Administration and Resources Management (OARM). The intention behind this recommendation is to "give substance to the Agency's strategic planning process, and the new office's control of the budget process would provide managers with a strong incentive to heed the agency's policy and planning guidance more closely." EPA is responding to this recommendation by transferring OARM's Office of the Comptroller, OPPE's planning and evaluation functions, and a few other administrative functions from OARM to a new Office of the Chief Financial Officer (OCFO).

Given these organizational changes taking place in Headquarters, some Headquarters officials are concerned that in splitting their planning and budgeting functions, Regions I and V will be heading in a direction different from the rest of EPA. They also are concerned that splitting these functions may diminish the authority of the Regions' Senior Resource Officials.

CHARGING OF ACTIVITIES TO APPROPRIATE PROGRAM BUDGET ELEMENTS:

EPA, as a whole, has always had difficulty tracking its activities back to the Agency's individual program budget elements. This is especially true in recent years as EPA has taken on more initiatives and moved towards a multi-media orientation, while its program and budget structure remains largely media-specific. However, efforts are underway to incorporate more multi-media program budget elements into the Agency's budget structure, which should help to alleviate this concern. In addition, EPA has begun a Resource Accountability Project, with Regions I, III, and X serving as the pilots. The purpose of the project is to improve the Agency's ability to reliably charge its activities back to the appropriate program budget elements.

All five Regional Offices have given this matter a great deal of thought and expended a lot of effort trying to make sure that they had appropriate policies and procedures for charging their activities to the proper program budget elements. For example, in Region VIII, the budget staff interviewed all the Regional office staff to find out what activities they work on, in order make sure that the staff's efforts are properly charged. Consequently, these five Regional Offices believe they are able to reliably charge their activities back to the appropriate program budget elements, although in some cases the linkage is not always as clear as they would like.

During our interviews with the Headquarters program offices, all of them expressed concern over the reorganized Regions' abilities to charge their activities to the proper program budget elements. This was especially true for those Regions that departed the most from the traditional organizational structure. However, the Team was unable to draw any definitive conclusions regarding the Regions' abilities to charge their activities to the appropriate program budget elements because of the difficulties the Agency had in obtaining an enacted FY 1996 budget — two furloughs and 14 Continuing Resolutions (CRs) — and the short time the reorganizations have been in effect.

This issue may take on greater significance in the future because, beginning in FY 1998, all Federal agencies, subject to the Chief Financial Officers Act (CFO Act), will be required to prepare financial statements that include their budgetary accounts. Consequently, all EPA budgetary accounts will be subject to audit by the OIG. Thus, it is important that the Agency have adequate policies and procedures in place to ensure that it can properly charge its activities back to the appropriate program budget elements. Failure to do so could result in the OIG asserting that the Agency has not properly accounted for its budgetary resources. Such claims could have an adverse effect on EPA's operations and credibility.

MORE EFFECTIVE USE OF RESOURCES: Although many of the Regions' reinvention/reorganization plans contained statements about better targeting their resources, the

Review Team did not find any clear evidence that this was occurring. The Team did come across some innovative approaches to resource management in Regions V and X.

Region V has created a Resources Management Committee (RMC), which consists of program division directors and senior budget personnel. The RMC's role is to make the Region's day-to-day resource management decisions, in order to provide the Region V Senior Leadership Team (SLT) with more time to focus on strategic issues. In the past, the SLT was responsible for making these day-to-day resource management decisions which distracted them from the bigger, more strategic issues.

Region X, as part of their reinvention endeavors, identified "resource focusing" as one of its core processes. Resource focusing is concerned with such questions as: determining whether the Agency should take on specific projects, where to route them, and what our role should be in these projects. In making such decisions, reliance will be placed on such factors as risk analysis, resource considerations, and EPA's value-added role. Unfortunately, due to the budget problems the Regional Office has not had an opportunity to try out this idea. However, it hopes to have the opportunity to try it this year. The Team believes this concept is promising and deserves watching to see how it works.

At all five Regional Offices that the Team visited, we heard from managers and staff alike that the Agency has taken on more and more initiatives over the years, but has not truly disinvested from any of its previous activities. As a result, management and staff perceive that the Agency has spread itself too thin. They expressed the belief that the Agency could better accomplish its mission of protecting the environment by focusing its efforts in those areas where the Agency can make the most difference. It is also interesting to note that the Team heard the same comments from our external stakeholders (States and the regulated communities) in one of the Regions the Team visited.

PROGRAM ACCOUNTABILITY

Program accountability focuses on the mechanisms the Agency uses to ensure that its programs are efficiently and effectively operated, and include such things as clear assignment of responsibilities and effective coordination and communications.

As part of our review, the Review Team wanted to determine what effect, if any, the Regional reorganizations have had on program accountability. However, the Review Team generally was unable to do so because insufficient time has elapsed since the Regional Offices reorganized to allow enough evidence to accumulate to draw firm conclusions one way or another. Nevertheless, the Review Team does have a couple of preliminary observations which are noted below. In addition, the Team has noted comments about EPA's small programs and the Superfund program, related to both program accountability and the Agency's reinvention goals, in Chapter 2 of this report, in the Attributes section focusing on Integrity, Efficiency, and Effectiveness.

- **Memorandum of Agreement (MOA):** The MOA process needs fixing. In discussions with both Headquarters program offices and Regional Offices, the Team

was told that the Headquarters National Program Managers are negotiating MOAs at different times of the year, that the MOAs have different time horizons, and in some instances set unrealistic goals. As a result, the Regional Offices are unable to make a coordinated and comprehensive review of the MOAs. This may result in the Regional Offices agreeing to do more work than they have people to do it. Also, the agreements may not provide the flexibility the Regional Offices need to manage their responsibilities effectively.

- **HQ Assistance:** There is a need for Headquarters to develop systems that can better capture the Agency's multi-media, pollution prevention, and compliance assurance successes. Three of the Regional Offices the Team visited (Regions I, VIII, and X) are making efforts to develop such systems.

With the implementation of the Government Performance and Results Act (GPRA) just around the bend, it is important for the Agency to have systems that allow it to measure its successes at both the local and national levels.

CHAPTER 4

ANALYSES AND OVERARCHING OBSERVATIONS PROCESSES FOR REORGANIZING

DESCRIPTION: *This chapter focuses on the processes the Regional Offices used to design, implement, and evaluate their new organizational structures, and the processes the Regional Offices used to move managers and staff into new positions and/or new organizations resulting from the reorganization.*

ABSTRACT:

- Defining and clearly communicating the reorganization decision-making process makes a difference in employee acceptance of the ultimate outcome. Some Regions did this well, others less well.
- All Regions used “design” teams in helping senior management with reorganization planning. The success of these teams was influenced by varying degrees of participation and empowerment, and the team’s relationship with senior management.
- Regions made significant efforts to reach out to external stakeholders and partners. Less attention was paid to reaching out to internal stakeholders in the Headquarters Offices.
- All Regions used some form of external organizational change consulting and most agreed they would recommend it to others.
- All Regions underestimated the productivity downtime and the emotional reaction accompanying major changes.

PROCESSES FOR REORGANIZING:

DESIGN: Each Region chose to use a Design Team to develop the new organizational design, either using senior management's initial approach or building on a more participative model. These Design Teams were used with varying degrees of success. One element of success was clarifying and clearly communicating the process and accountability for making reorganization decisions up front so that all members of the Regional Office understood them. Region X did a particularly good job of clarifying these expectations up front. In Regions I, V and VII, the decision making processes and empowerment levels were not clearly defined and communicated. This resulted in some disenfranchised Design Teams and in lower overall morale, particularly in Region I.

Another factor for success in the design phase was senior management support for the Design Team, and as well as their involvement and communications with staff. The Review Team noted the partnership between the Senior Leadership Team and the Design Team in Region VIII was particularly effective. In Regions VIII and X particularly, the RA and DRA actively solicited comments and concerns from the staff. In Region X, the RA personally received and read over 400 LAN messages from employees, and in Region VIII the DRA held monthly sessions with the Transition Monitoring Team, a subgroup of the local HRC to hear and respond to employee concerns.

Region X's initial work on identifying and obtaining consensus around their core work processes was a unique and thoughtful approach to designing the organization's structure. This provided a strong framework for the structure and was a valid, convincing justification for the resultant decisions.

The Regions each used the Senior Leadership Council to inform Headquarters of their proposed reorganizations. However, they did not uniformly work with other Headquarters managers early in the design phase. At least in Region VIII, had senior management consulted with the Headquarters Program Office Directors earlier in the design process they could have avoided some resultant questions and concerns. All of the Regions kept the States and Tribes informed of the reorganization plans and allowed them opportunity to comment on the proposals.

IMPLEMENTATION: Each of the five Regions used external organizational change consultants to some extent, and strongly recommended that others seeking to reorganize should bring in consultants early in the process. Region X brought in a consultant on an appointment to the Regional Office to assist in the reorganization planning, and kept that person on to assist with transition issues. Other Regions used consultants for training in organizational change and career planning for those impacted by the placement process. Region VIII's Senior Leadership Team and Design Team relied on William Bridges' book Managing Transitions in planning specific activities and in understanding the impacts of change on the organization. The Review Team notes that transition assistance has been somewhat less available for staff in some Regions, which focused more on the management levels. As prepared as they were for disruption from the changes, the Regions, especially I, VIII and X, underestimated the amount of disruption that the reorganizations would cause.

Most Regions also chose to use an Implementation Team to manage the logistics of implementing the reorganization, from people placement to office moves. As in the use of Design Teams, they varied in their success. For the Implementation Teams in particular, staffing them with the right people was critical. For example, Region X managers now believe that the Regional Office would have been more effective in making office moves had the facilities and infrastructure staff been on the Infrastructure Team. The Review Team believes that several problems, such as multiple advertisements for the same position, could have been avoided in Region V if the human resources staff had been actively involved in the placement process.

Due in part to the short deadline for implementation, and in some cases the FY 1996 budget crisis, there seemed to be insufficient planning for the necessary infrastructure changes (e.g., mail, phones, moves) or insufficient time for those plans to be implemented carefully. All organizations felt that the implementation phase was too rushed, but agreed that a deadline for completion was a needed driver. Although some organizations could have used more time in implementation, they realized that waiting meant that their reorganization would be delayed indefinitely by the uncertainties posed by a potentially huge budget reduction, a possible RIF and a likely appropriations stalemate. Given those uncertainties, they chose to move forward more quickly.

COMMUNICATIONS AND INVOLVEMENT: The Team noted that all five Regions focused on internal communications throughout the reorganization process. However, the effectiveness and quality of those communications varied. For example, Region VIII management believes they made enormous efforts in making sure that employees had all available information during the process. However, some employees were turned off by “information overload.” This sentiment was shared by staff in Regions VII and X as well.

The Review Team heard some staff complaints of a perception that senior managers knew in advance what their reorganization should look like, thus freezing from the outset any staff concerns or comments to the contrary. However, the Team heard from senior managers that they were disappointed with what they perceived as staff’s mostly parochial ideas about how the Offices should organize to accomplish the work in new ways. Region VIII had the most inclusive design process of the five Regions reviewed, and although it caused major disruption, the Regional staff felt that their senior managers made an attempt to be open and fair. In Regions I and VII there is some lingering dissatisfaction attributed to the rejection of the Design Team proposals in favor of those developed by senior management.

Headquarters Offices, in general, were not satisfied with the levels of communication between the reorganizing Regional Offices and Headquarters. They felt that the Regional Offices did not view Headquarters as a client, but rather “as an afterthought.” A perception articulated by a number of Headquarters managers and staff was that the Regions “could do whatever they wanted” in reorganizing, and Headquarters could comment but would be seen as an obstacle to change. Most noted that they did receive the reorganization proposals for formal review and comment as part of the Agency Directives Clearance Process. However, some indicated that “sending around a big package for comment is not a way to say Headquarters was involved.”

A recurring theme from Headquarters interviewees was the desire for the reorganizing Regional Offices to have had more face-to-face communication with them. For instance, managers from three different Headquarters Offices said they would have appreciated it if the Regions had made more of an effort to explain controversial, complicated, or subtle changes. Other managers and staff suggested that it would have been helpful for the Regions which moved personnel to have brought the new Regional program managers to Headquarters so they could meet and initiate face-to-face discussions. While some Headquarters managers acknowledged that Regions made presentations to the Assistant Administrators about the global structures being proposed, they felt that communication was not adequate at the "tire meets the road level" — the Office Director level and below — about how the Regions were going to work under those structures, how were they planning to deal with accountability, and how they were going to deliver results.

UNION INVOLVEMENT: Regions I, VII and VIII included union representatives in their reorganization processes with differing results. Region V did not have union representation at the time, but the issue did assert itself later when Regional employees voted to establish a bargaining unit. Region X does not have a bargaining unit.

Region I has traditionally had a good relationship with its union representatives, and made them an integral part of their reorganization process. The union remained a cooperative partner throughout the design and implementation of the Region's new multi-media structure, and concluded the process without complaints, filing of official grievances, or any other hindering actions.

Region VII also included a union representative during each step of the reorganization. Upon implementation, the union was in agreement with senior management's proposal, and presented no complaints with the plan.

Region VIII, as the other of two Regions deciding on a multi-media structure, implemented an ambitious and complex reorganization. They too included a union representative on both the Design and Implementation Teams. Although the Region maintained an open and cooperative relationship with the union, the extent of the proposed changes to the Region's traditional programs presented problems that apparently could not be resolved. The union submitted a demand to bargain on several specific issues when very close to implementation, and after the contractual deadline. The Region declined to bargain.

PEOPLE PLACEMENT: Most organizations took advantage of the opportunity to allow those employees and managers who wanted to make a move to do so. Every Region tried to offer choices or options to those who moved, and solicited their preferences. For the most part, staff and managers were reassigned into new positions using an informal selection process. Some positions were formally advertised and those interested could apply. In part to build diversity and new blood into the management corps, some Regions opened up a few of the new supervisory positions to non-supervisors.

Most Regions gave existing managers the choice to stay in or move out of supervisory positions as part of the process of reducing the number of supervisors. The development of some senior technical/program expert positions eased the transitions for some former supervisors. These positions were generally not available to everyone in the Regional Office. This has resulted in some staff being resentful that those opportunities were closed off to them, and they believe that this will have a negative impact on their career growth potential. The Team heard this comment frequently in Regions VIII and X.

Despite generally successful staff and management placement processes in most organizations, the Review Team did hear some concerns. Staff in every Region perceived that the SES managers held themselves harmless during the placement process; that is, no SES manager was ever in danger of losing a management position. Staff generally did not view this as a positive indication that the Regional Office was serious about making significant changes. Also, employees in Regions I, V and X viewed the staff placement process as very rushed. For example, the Team heard from some Region X employees that they only had one day to make major career decisions about which positions for which they wanted to be considered. The process for people placement in Region V was unclear to employees, leading to unanticipated problems later. Some people were assigned to positions in Region V that are now being competed.

In addition to shrinking the size of the management staff, Regional senior leaders decided to move many managers around, assigning them to manage programs or functions which they may not have worked in before. Similarly, to promote cross-fertilization of program knowledge and experience across each Region, senior leaders in all five Regions gave staff the opportunity to work on new programs or functions as well. All five Regions carried out their personnel moves all at one time.

It is too soon to tell whether the smaller size of the management staff and the movement of people to different functions will have the anticipated payoffs of cross-training, program cross-fertilization, and overall facilitation of new ways of thinking and operating. However, the Review Team did observe that where the shifts in management and staff were the most dramatic — Regions VII, VIII and X — there was tremendous disruption. Because a number of managers and staff are new to the programs they are now running, and are just beginning to possess the knowledge, experience and networks of contacts of their predecessors, they face a tremendous learning curve.

Managers and staff in both Headquarters and the Regional Offices, as well as customers in States and Tribes, expressed frustration that work seemed to stop for weeks or months as the Regional Offices were implementing their reorganizations and getting people into place. This was complicated by the disruptions created by the government shutdowns and resulting furloughs. They also commented that new managers and staff did not have the institutional memory to answer questions or provide needed information.

The Team heard from managers and staff in more than one Region that the “stirring of the pot” of Regional managers and staff is not a bad idea, but should be made in phases. Region X plans to continue to implement this cross-fertilization by moving one-third of its senior experts and supervisors every three years.

MEASUREMENT AND EVALUATION: Regions I, VIII and X have processes underway to conduct mid-course assessments of the new organizations, and plan to conduct more in-depth assessments in the future. Region VIII seems to be particularly effective in identifying what is not working in the new organization and has a plan for addressing those issues. Region X's mid-course assessment team attended the interview sessions held by the Review Team as part of their internal assessment. This attention to continuous improvement will be important to the success of the new organizations.

CHAPTER 5

OTHER ISSUES

DESCRIPTION: *The Review Team, in assembling the report summary, had a number of observations in areas that could not clearly be categorized in any of previous chapters. This Chapter includes these observations, which generally include: inter-Regional communications; infrastructure costs; role of the Senior Leadership Council (SLC); and assessments by several State officials.*

ABSTRACT:

- Some Headquarters officials believe the SLC did not make tough choices about how to organize the Agency as a whole, before allowing individual offices to reorganize.
- The Agency's processes for designing, reviewing, and approving reorganization proposals is flawed.
- Most of the five reviewed Regions underestimated infrastructure support costs associated with their reorganizations.
- Not only do Headquarters and State officials experience problems in communicating with the reorganized Regions, so do other Regions.
- The burden on managers from EPA's cumbersome performance management system are felt even more acutely now that the supervisor-to-staff ratio has widened to 1:11.
- Some stakeholders in Headquarters, the States, and within the Regions themselves believe that the positive changes made to improve the Regional delivery of programs could have been achieved without reorganizing.

SENIOR LEADERSHIP COUNCIL (SLC) DECISION-MAKING: A few vocal Headquarters managers suggested that before allowing any office to reorganize during FY 1995, EPA should have

examined its organizational structure — behemoth that it is — from an Agency-wide, big picture perspective *first*. They expressed strong opinions that the Regions need to be organized in a way that makes sense to both the States and Congress, especially in the ability to provide coherent and needed data to both. They suggested that once those tough decisions were made about how to best organize the 17,000 EPA staff and 40,000 State staff to perform the nation's environmental work, *only then* should EPA have allowed offices to proceed with their individual reorganizational proposals.

Not surprisingly, a number of Headquarters managers and staff see no wisdom in the SLC's decision to allow inconsistency across the Regions. Their major concerns are program consistency and continuity. Several Headquarters managers expressed concern that the Regional Offices are now organized differently and have their own Regional program priorities, in addition to national program priorities. They fear that the Agency is losing program continuity flow from Headquarters to the Regions to the States. They are concerned that national program consistency will be negatively affected as the Regions focus more attention on their own priorities, at the expense of national priorities.

EPA'S REVIEW AND APPROVAL PROCESS FOR REORGANIZATIONS: The Agency's senior leadership — while open to innovative and wide-ranging changes — wanted to ensure that appropriate review and discussion of AA/RA/Associate Administrator-level proposals took place. Therefore, the SLC established a procedure, now part of the Agency's Directives Clearance Process, for reviewing and approving FY 1995 AA/RA/Associate Administrator-level reorganizations. Key components of this process, outlined in EPA's Reinvention Guidance, include:

- Offices designing a reorganization are to conduct sufficient advance work with customers and stakeholders — including other Headquarters and Regional Offices — to resolve any issues or problems with a proposed structure prior to submitting a proposal for formal review and approval.
- Once issues are resolved, the reorganizing office prepares and submits a reorganization proposal to OARM for formal Agency-wide review and comment.

Reorganization proposals are to reflect "analytical rigor," meaning they are to be thorough and disciplined in assessing the issues and problems related to the current organizational structure and how the proposed structure addresses those issues or problems. A proposal with sufficient analytic rigor demonstrates how the continuity of functions and operations will be maintained, and lays out a smooth transition from the current structure to the proposed one.

- OARM distributes the proposal to Headquarters and Regional Offices for an expedited 10-day "exceptions only comments" review period.

The intention behind allowing the expedited 10-day review process was that if the advance work was performed that commenting offices would not need more than 10 days to review the proposal and provide comments, if any.

- After the 10-day review period, the reorganizing office had 5 days to work with Agency offices in resolving the comments.
- After being notified that comments have been received, OARM prepared a decision memorandum for the Administrator or Deputy Administrator to approve or disapprove the reorganization.

Headquarters program officials expressed unhappiness that some Regional Offices did not complete all the agreed-upon front-end analytical work that was expected for the proposals. The front-end work not completed would have demonstrated, for example, how the Regional Offices would integrate their new multi-media activities with the traditional national programs.

Headquarters Offices also noted conflicting tensions about their review of reorganization proposals during FY 1995. Since some Regions did not conduct adequate advance work with Headquarters, Headquarters officials often saw the basic components of a proposed reorganization for the first time during the expedited 10-day review period. If the reorganization was complex, many Headquarters managers and staff felt that they did not have enough time to develop a full understanding of the proposal. These officials felt they had to review the reorganizations as quickly as possible to meet the 10-day time frame, *and* still conduct thorough analyses to identify important issues and potential problems in proposals they were seeing for the first time. Some Regional managers agree that they should have done more up-front work with the Headquarters stakeholders in designing their new organizational structures.

Several senior managers in Headquarters also expressed reservation about the quality of the central organizational analysis from OARM. In particular, they felt that OARM analysis focused too much on “small issues” such as organizational and position titling, and missed bigger issues such as a reorganization’s affect on the Agency’s regulatory process. OARM managers acknowledged the limited analysis. They offered a variety of comments about why this happened so that the Agency could learn for the future. To make the September 30, 1995, deadline for reorganization implementation, the Regional and Headquarters offices simultaneously submitted a large number of proposals. The resulting volume of work to be done was too much for the OARM staff charged with reviewing the plans. Moreover, the group responsible for reviewing the plans experienced much staff turnover, and the new staff lacked sufficient knowledge of the Agency’s organizational structure, delegations of authority, program expertise, regulatory processes, and relationships with the States to adequately review the proposals. Further, OARM usually expects the offices across EPA which are responsible for Agency processes — such as OPPE for regulatory processes and OC for resource allocation — to look at and comment on issues related to their processes.

REORGANIZATION-RELATED PROBLEM AREAS: The following are areas that seem to have been overlooked during the reorganization process, but have important repercussions of which others who reorganize should be aware. Although these areas do continue to present the Regional Offices with difficulties, they are less unsuccessful aspects of the reorganizations than unanticipated consequences. Regions and offices reorganizing in the future should factor these issues into their planning process.

- **Infrastructure:** The underestimation of infrastructure support costs represents the most significant and common problem the Team observed in the reviewed Regions resulting from the reorganizations. Although some of the underestimation can be attributed to unanticipated expenses resulting from the Agency's FY 1996 budget uncertainty and the government shutdown, a larger percentage appeared to result from the need to physically move many employees more than once, because of changes required resulting from the speed with which they were forced to move due to the September 30 deadline. Region VIII, for example, in order to finally place all staff in their appropriate locations, moved some people three different times.

In Region X, the Team heard that the Regional Office had not completely estimated the costs of establishing their place-based offices by not considering that the cost for an individual is significantly higher than several employees whose costs can be amortized, or may qualify for a volume discount (e.g., the Regional Office pays the same travel costs to the phone company to set up one phone line as they would for 10 phone lines).

Because the Regional Offices needed to move the staff more than once, the associated costs increased almost exponentially compared to their original budget estimate, which allowed for only one move per employee. With each workstation move, support functions like phone and computer lines must also be moved - which costs increase at the same rate as for the physical moves.

One cost most of the Regional Offices did not allow for was the printing updated Regional telephone directories, with reprints scheduled after each significant shift of employees. This complaint was heard during our interviews with a number of State officials, but especially those in Region VIII whose large scale reorganization moved more people more times than the other Regions. The absence of an up-to-date phone directory was commented on a couple of times by States. The officials suggested that a current phone directory would have gone a long way to alleviating the confusion arising from who was doing what in the Regional Office. Region I, by comparison, who completed the other multi-media reorganization, was complimented by at least one of their State officials who found their issuing an up to date directory very helpful. It is crucial that Regions and Headquarters offices understand that significant reorganizations cannot be done cheaply without an increase in disruption the reorganization will already cause. Not only are these costs very expensive, but not allowing for them results in substantial indirect costs in the disruption of relationships with State and Local governments.

- **Inter-Regional Communications:** One unanticipated consequence is the disruption caused to inter-Regional communications, similar to the disruption caused with Headquarters and the States, resulting from the Regional structures no longer looking similar. Much of the Regional program staff is no more certain who their counterparts are in the other reorganized Regions than are the States. This has resulted in some unanticipated confusion and downtime as Regional staff with

longstanding professional relationships with their colleagues in other Regions must re-establish their relationships, as must the Headquarters, State and Local employees.

- **Performance Management:** Another area of difficulty appears to be lack of progress in streamlining administrative procedures, such as performance management. Although all of the Regional Offices reviewed reached the 1:11 staff/supervisory ratio, none were able to streamline the cumbersome procedures associated with performance management, a critical issue now that supervisors have wider spans of control. It is worth noting that several Regions were proceeding with pilot programs to streamline performance management, but EPA's Office of Human Resources and Organizational Services asked them to put these efforts on hold because of potential FY 1996 RIFs and pending of the Agency-wide Performance Management Task Force. Region V was proceeding with two performance management initiatives considered critical to the success of 1:11:
 - placing staff on a rotating appraisal basis so managers do not face a block of appraisals at the same time, and
 - changing from the Agency's current appraisal system to a "pass-fail" assessment.

Neither of these ideas had been implemented at the time of the Review Team's visit, but both have the supervisors' attention and generally have given them a sense of optimism about contending with their increased supervisory responsibilities. There are additional unresolved questions for Regional staffs regarding time and attendance policies that have become enormously complex as a result of matrix management, and the vast number of staff shifts and supervisory changes. Some staff anxiety can potentially be alleviated if the time and attendance issue were settled.

Finally, the Review Team heard an observation which requires no action, but has some merit to consider in future reorganizations. The Team heard from several sources in Headquarters, the States, and the Regional Offices that many of the major positive changes made to improve the Regional Offices' delivery of program services to the States could have been accomplished without reorganizing. For instance, one State official made this comment in the context of the major disruption his State's environmental programs experienced as a result of the Regional reorganization. While he liked an improvement to a specific program, he suggested the improvement could have been achieved without reorganizing and disrupting his State's programs. This observation was made by staff in other Regions who were unhappy with the disruption they experienced, as well.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS: GENERAL

The five reorganizations had been in place approximately a year at the time this review was commenced, each having had an implementation deadline of September 30, 1995. During our initial meetings with most of the Regional and Deputy Regional Administrators, they were clear in voicing their concerns that this review was premature, since it is an accepted management principle that reorganizations require several years of experience to demonstrate their results fully. It is the Review Team's conclusion that the reorganizations studied have each implemented one or more significant changes from their traditional methods of business, and that in each case more time should be allowed for them to operate in the new structures before judging whether their innovations have been successful. Regions I and VIII, for example, each were restructured along multimedia lines which are very different from Headquarters statutorily-driven structures and their own previous single-media structures. Whether these multi-media designs represent a model for the entire Agency should be carefully scrutinized, but only after they have had a reasonable opportunity to demonstrate their advantages and disadvantages.

Once the reorganizations have stabilized, and are ready for a more definitive analysis, a quantifiable method to evaluate the changes the Regions made will be essential. As noted in the methodology section of this report, the Review Team collected much of its data by interviewing Regional managers and staff, and selected State and Tribal officials. The interviews provided essential information on stakeholder observations, perceptions, and anecdotes. This information, while invaluable, does not replace more concrete data that also are needed to inform decision-makers about the effectiveness of these Regional reorganizations in promoting and achieving Agency priorities. Before any firm conclusions can be drawn, the Agency needs to develop a practical evaluation process.

We acknowledge that some of the Agency's priorities are difficult to measure, either because they are qualitative, such as building partnerships, or require years to implement fully and assess impact. Community-Based Environmental Protection, for example, is an important area of focus in all five of the reorganizations studied. CBEP has been growing slowly but steadily for a number of years, but still does not provide much data on any resulting environmental benefits. Similarly, there is not much information on how well Pollution Prevention, a critical concept in limiting damage to the environment before it takes place, is being incorporated beyond a handful of "boutique" programs at the State and local levels. The Review Team believes, however, that a well-thought out evaluation process should provide data on the success of such programs, as well as assess their weaknesses and recommend improvements.

1. **Recommendation - Give the Regions More Time:** The Review Team recommends that EPA's Senior Leadership Council announce to the Agency it is allowing the Regional reorganizations an additional 18 months (January 1997 - June 1998) of operational experience in order to determine whether or not they produce longer-term benefits in delivering public health and environmental protection. The SLC should encourage the Regions to make necessary mid-course corrections to deal with obvious problems during the 18 months. *Suggested Lead:* SLC. *Suggested Completion Date:* January 1997.
2. **Recommendation - Develop a Systematic Method to Evaluate Reorganizations:** During the 18-month period that the Regional Offices are gaining additional operational experience, OARM should convene an Agency-wide workgroup to develop an evaluation process for assessing the success of reorganizations that includes both quantifiable and qualitative data. The final evaluation process should have Agency-wide consensus. *Suggested Lead:* OARM. *Suggested Completion Date:* June 1998.
3. **Recommendation - Conduct an Analogous Preliminary Assessment of Headquarters Office Reorganizations.** The Team recommends that OARM lead a review of the reorganizations which took place in Headquarters during FY 1995, similar to this Innovative Regional Structures Review, to identify lessons learned about what works and what does not. *Suggested Lead:* OARM. *Suggested Completion Date for the Preliminary Assessment:* July 31, 1997.
4. **Recommendation - Conduct a Follow-up Evaluation to this Review and the Headquarters Review at the End of the 18 Months.** At the conclusion of the 18-month period for the Regions to gain operational experience (June 1998), the Team recommends that OARM lead a follow-up evaluation both to this Innovative Regional Structures Review and the Headquarters review suggested in Recommendation 3 above, using the systematic evaluation process (see Recommendation 2 above) agreed to by the Agency. The follow-up study should have an Agency-wide perspective and include all Headquarters and Regional Offices. *Suggested Lead:* OARM. *Suggested Completion Date:* December 30, 1998.

CONCLUSIONS: INNOVATIONS HOLDING THE MOST PROMISE FOR THE FUTURE WORK OF EPA

Because the Regional reorganizations have been in place only a short time, the Team does not believe that enough time has elapsed to make a complete and fair assessment about what innovations hold the most promise for other Agency offices. Nevertheless, the Team concludes that a number of promising concepts and constructs implemented by the Regional Offices bear watching and recommend that these be considered in future studies of the Regional reorganizations.

- **REGION X's DEFINITION OF CORE PROCESSES:** The Team was impressed that before reorganizing, Region X examined the work it performs and identified six core processes around which to design its organizational structure:
 - Direct Program Delivery;
 - Ensuring Compliance with Environmental Laws;
 - Assessment of the Condition of the Environment;
 - Outreach and Environmental Information Exchange;
 - Partnership and Capacity Building;
 - Innovative Environmental Protection Strategies.

After testing these core processes with external customers, the Region added a seventh core process — Resource Focusing — to prioritize work in light of declining resources. Based on these core processes, the Region decided to retain its media-based program offices, but supplement them with cross-media divisions in response to the Agency's reinvention and strategic goals. We found the Region Office's overall approach to redesigning its organization to be logical and objective, and are interested to see whether this organizational structure proves to be more effective in achieving its intended results than those designed with less rigor.

- **PLACE-BASED INDIVIDUALS.** In its reorganization, not only did Region X reaffirm the need for its four State Operations Offices (*Alaska, Idaho, Oregon, and Washington*), but it physically placed more Regional staff in communities that need hands-on assistance with their environmental protection efforts. These features are not new as a result of the reorganization, but reporting relationships were changed to ensure more direct supervision by program managers in the main Region X office in Seattle, WA. The Region notes that establishing these community-based offices is very expensive because of the additional expenses for rent, furniture, equipment, and other infrastructure necessities. However, the Team believes they may be worth the investment, particularly given the limited amount of travel dollars and the large geographic distances between the Regional Office and the states on the west coast.
- **ECOSYSTEMS OFFICES:** Three Regions created central units to manage and coordinate multi-media and geographic work, such as CBEP:
 - Region I's Office of Ecosystems Protection,
 - Region VIII's Office of Ecosystems Protection and Remediation,
 - Region X's Office of Ecosystems and Communities.

Whether the rest of the Region Office remained single media (Region X) or moved to a multi-media structure (Regions I and VIII), establishment of these ecosystems offices has resulted in dedicated resources to Agency priorities that may not have received much support otherwise. If these offices live up to their potential, other Agency offices may want to consider forming such an organization.

- **REGIONAL TEAMS:** Region V chose to keep its single-media structure in place, but overlay a team structure to address strategic priorities, such as ecosystem protection and pollution prevention. The leaders of these teams, Regional Team Managers, are nonsupervisory and report to the Region's Senior Leadership Team (SLT). Each Regional Team does have a "sponsor" on the SLT. Region V's team approach for addressing strategic priorities is quite different than that of other Regions which established formal organizational units (Regions I, VIII, and X). This team approach will require the Region Office to become more adept at matrix management. If successfully implemented, the teams could work in tandem with the Region's single media offices to provide a wide range of environmental services. If these teams live up to their potential, they will serve as an alternative approach for those offices that want to pursue cross-media work without a dramatic organizational change.
- **"ASSIGNMENTS, NOT POSITIONS" CONCEPT:** Region X, recognizing the reduced opportunities for advancement into managerial positions has developed a rotational assignment concept. A key point of this concept is that managers do not "own" jobs anymore, and that managers and staff rotate through a variety of experiences throughout the years. For example, while one may have supervisory responsibilities at present, in the future the person may rotate to a non-supervisory assignment. The Team believes this is an intriguing concept that warrants future evaluation to determine its applicability to the rest of EPA. Key considerations include:
 - Development of non-supervisory assignments that are appropriate for senior staff (grades 13, 14, and 15) and can be rotated without great loss of efficiency and effectiveness.
 - Customer receptivity to routine changes in Regional contact points and networks.

This last point is particularly important because some Headquarters and State customers found the Regions' recent personnel changes confusing and Regional responsiveness diminished, and are irritated at having to orient Regional managers and staff who are new to their programs.

- **RESOURCE FOCUSING:** Region X hopes to try out its "resource focusing" effort during FY 1997. Resource focusing attempts to answer questions as: determining whether the Agency should take on specific projects, where to route them, and what our role should be in these projects. In making such decisions, reliance will be placed on such factors as risk analysis, resource considerations, and EPA's value-added role. The Team believes this concept is promising and deserves watching to see how it works.

CONCLUSIONS: LESSONS LEARNED

In addition to a number of promising concepts and constructs implemented by the Regional Offices that bear watching, the Team concludes that there were a number of lessons learned from the FY95 reorganizations that should be considered when planning and implementing future Agency changes and reorganizations.

- **EPA STATE-BASED OFFICES:** States reacted enthusiastically to the creation, or the continuation, of focused, fully-authorized State-based offices. Region X maintained good, comprehensive communications with the States by retaining their State Operations Offices located in the State capitals. Region I located its State offices in Boston, MA, but gave them full authority. In both cases, having dedicated State offices helped minimize the disruption to the States during the reorganization transition.
 - **ENFORCEMENT AND COMPLIANCE ASSURANCE:** There remains a high level of inconsistency among the Regions, both in terms of how each balances enforcement and compliance assurance efforts and the perceptions of Regional staff about what levels of effort are appropriate. There are also grave concerns about how to integrate and update data systems to allow tracking of multi-media and compliance assurance activities.
5. **Recommendation - Assess Differences in Balancing Enforcement and Compliance Assurance:** The Team recommends OECA analyze the differences among the Regions in their balancing of enforcement and compliance assurance activities and continue its efforts to communicate the relative priority and appropriate use of all enforcement and compliance assurance tools. *Suggested Lead:* OECA; *Suggested Completion Date:* June 30, 1997.
 6. **Recommendation - Improve Tracking Systems:** The Team recommends OECA in concert with the OCFO lead an Agency-wide effort to improve systems for tracking and crediting multi-media activities, EJ efforts, compliance assurance activities, their related environmental results, and sector-based approaches. These systems need to start with clear definitions of terms and break out of the media-specific focus on the "legacy systems." *Suggested Lead:* OECA; *Suggested Completion Date:* September 30, 2000.
- **1:11 SUPERVISOR-TO-STAFF RATIO:** All of the Regions acknowledged that the 1:11 supervisor-to-staff ratio was a major driver in leading them to reorganize. To achieve a Region-wide 1:11 ratio, most first-level supervisors are managing more than 11 employees, in many cases 20-30, in order to accommodate smaller immediate office staffs. The 1:11 ratio does not factor in the non-Federal staff managed by supervisors, such as contract staff and Senior Environmental Employees Program

(SEEP) participants. The Agency may not be well-served by such a large span of control, given the technical nature of our work and the need for program accountability.

7. **Recommendation - Study the Effect of the 1:11 Supervisor to Staff Ratio:** Broadly assess the impact going to 1:11 has had on the Agency, considering how to either make it more likely to work or provide more flexibility in its application. This study should factor in non-Federal staff managed by supervisors, such as SEEP participants. **Suggested Lead:** OARM; **Suggested Completion Date:** April 30, 1997.
- **MOVEMENT OF MANAGERS AND STAFF:** In deciding to move many managers and staff to new positions and programs, the Regions were not simply trying to reduce the number of managers to reach the 1:11 supervisor-to-staff ratio. They also were trying to foster cross-program knowledge and better support multi-media activities. This movement of managers and staff was disruptive to program delivery and customer service, partially due to the budget uncertainty of FY 1995.
8. **Recommendation - Assess Cross-Media Expertise via Movement of Managers and Staff:** The Review Team recommends that OARM conduct a review of cross-program experience within the ranks of EPA management to determine to what extent tangible benefits can be identified, and at what cost. Based on the benefits and costs identified, the review should also look at how frequent and to what extent the movement of managers from program to program should be encouraged within the Agency. This assessment should factor in Region X's "Assignment, Not Positions" concept for rotating managers and staff every few years. **Suggested Lead:** OARM; **Suggested Completion Date:** December 31, 1997.
- **MANAGEMENT ROLES AND BEHAVIORS:** The Agency's avowed new role for managers and supervisors, especially with its goal of a 1:11 supervisor-to-staff ratio, is one of primarily coaching, mentoring, and empowering staff to handle technical issues and resolve problems. While this approach is appealing, the Team heard frustration from managers and staff regarding its practicality at EPA. Given the variety and public nature of the issues EPA deals with, managers are expected by internal *and* external stakeholders to attend to the resolution of environmental issues. Therefore, they are finding it difficult to focus solely on coaching and mentoring responsibilities.
9. **Recommendation - Find the Right Balance in Redefining Management Roles and Behaviors:** The Review Team recommends that OARM expand on the management behavior guidelines in EPA's Reinvention Guidance to address finding the

right balance between coaching/mentoring and more technical roles.
Suggested *Lead*: OARM. *Suggested Completion Date*: April 30, 1997.

- **TEAMS:** As EPA moves towards becoming a more team-based organization, the Review Team has several recommendations to encourage and support that effort.
- 10. **Recommendation - Support the TeamEPA Project.** The TeamEPA serves as a way to develop an Agency-wide framework for implementing teams that local organizations can customize for their unique organizational needs. The Review Team recommends that OARM provide necessary resources for implementing the recommended national program activities; assess the extent of matrix management operations across the Agency; and implement necessary activities and training to build this capacity. The Team also recommends that OARM quickly implement PERFORM (the new performance management system) at EPA. *Suggested Lead*: OARM; *Suggested Completion Date*: April 30, 1997
- 11. **Recommendation - Dedicate Resources and Strong Support for the Processes, Training and Structures Needed to Build Regional Capacity in Working in Teams.** This includes developing local programs to implement TeamEPA recommendations, clarifying and distinguishing the interrelated roles and expectations of supervisor and team leader, and building internal expertise to assist teams in successfully achieving their goals. *Suggested Lead*: Regional Administrators; *Suggested Completion Date*: September 30, 1997
- **DIFFERENT HQ AND REGIONAL PERSPECTIVES AND PRIORITIES:** Differences still exist between Headquarters and Regional Offices related to Regional desire and need for autonomy and flexibility in responding to local environmental needs, and Headquarters' desire and need for the Regions to be held accountable for resources and national environmental program delivery. These differences likely were exacerbated during the FY 1995 reorganizations of both Headquarters and Regional Offices.
- 12. **Recommendation - Clarify Goals for Agency Initiatives:** The Review Team recommends that EPA senior leaders develop Agency-wide agreement on goals/objectives for Community-Based Environmental Protection, Pollution Prevention, Environmental Justice, and other Agency initiatives, and define "measures of success" for tracking progress. The Senior Leadership Council should sponsor this exercise, and require the National Program Managers staffing Agency initiatives to lead development of the goals/objectives and success measures for their respective initiatives.

Suggested Leads: SLC (NPMs with lead for these individual initiatives would staff the SLC); **Suggested Completion Date:** Before FY98 round of MOAs.

13. **Recommendation - Annually Evaluate Regional Performance under the MOA Process, and later the Agency's Planning/Budget/Accountability System:** If Regions are not meeting their commitments, determine what the causes are and whether there is any discernable connection between delivering on commitments and their organizational structures. **Suggested Lead:** Office of the Chief Financial Office (Agency lead with involvement from NPMs and Regions); **Suggested Completion Date:** December 30, Annually.
 14. **Recommendation - Better Coordinate the Agency's MOA Process:** In establishing the Agency's planning, budgeting and accountability system, bring the different NPMs' MOA process onto the same time schedule. **Suggested Lead:** OCFO; **Suggested Completion Date:** June 30, 1997.
 15. **Recommendation - Assess Small Programs in the Regions:** Using performance measures, evaluate whether small programs — such as pesticides, toxics, UST, oil spills — have lost program effectiveness and/or efficiency as a result of the Regional reorganizations. **Suggested Leads:** OPPTS/OSWER/OAR; **Suggested Completion Date:** June 30, 1997.
- **DESIGNING, REVIEWING AND APPROVING REORGANIZATION PROPOSALS.** Several Headquarters officials believe they were not adequately involved during the design of the new Regional structures. A number of Headquarters managers and staff also commented that the procedure for reviewing and approving reorganization proposals is flawed and should be revised.
16. **Recommendation - Strengthen EPA's Clearance Process for Reorganizations:** The Review Team recommends that OARM, in consultation with Headquarters and Regional managers and staff, assess the effectiveness of EPA's processes and procedures for designing, reviewing, and approving reorganization processes. **Suggested Lead:** OARM; **Suggested Completion Date:** June 30, 1997.

OTHER ADVICE AND COMMENTS

The following comments did not fit easily into the Innovations and Lessons Learned sections of this report, but are still worth noting.

- **PLANNING, BUDGETING, AND ACCOUNTABILITY FUNCTIONS.** Regions I and V split up their planning and resource management functions in their reorganizations, while Regions VII, VIII, and X kept these functions together. The Team urges the soon-to-be formed OCFO and Regions, regardless of structure, to watch these functions carefully during the next 18 months to ensure that integration of the functions occurs.
- **TARGET EPA EFFORTS AND RESOURCES BETTER.** The Review Team heard from several Regional employees and external stakeholders that the Agency has too many initiatives. They believe EPA would be better off if it focused its efforts on three or four areas, rather than trying to do something everywhere. The inability to disinvest from some activities in order to concentrate on more value-added activities was mentioned as a problem in all five Regions visited. As one individual characterized it, "EPA is a mile wide and an inch deep." A contributing factor could be that EPA must continue its base programs because of statutory requirements, while also pursuing other activities that it believes help it better protect the environment. Whatever the case, some Regional employees and State and industry stakeholders suggested that EPA needs to target its efforts and resources better toward areas where it can add the most value, and disinvest from those activities that are not highly value-added.

APPENDICES

1 SUMMARY OF RECOMMENDATIONS

2 REGION-SPECIFIC OBSERVATIONS

The following appendices summarize the observations of the Review Team's on-site visits to the Regional Offices.

2a	Region VIII	Denver, CO
2b	Region VII	Kansas City, KS
2c	Region X	Seattle, WA
2d	Region V	Chicago, IL
2e	Region I	Boston, MA

3 CONCERNS AND OBSERVATIONS OF HEADQUARTERS OFFICES

This appendix summarizes the Team's interviews with managers and staff from the following Headquarters offices: OAR, OARM, Office of the Chief Financial Officer, OECA, OGC, OPPE, OPPTS, OROSLR, OSWER, and OW.

4 GLOSSARY OF TERMS

APPENDIX 1

SUMMARY OF RECOMMENDATIONS

RECOMMENDATIONS:

RECOMMENDATION	SUGGESTED LEAD	SUGGESTED COMPLETION DATE
1. Give the Regions More Time: Senior Leadership Council should announce to the Agency it is allowing the Regional reorganizations an additional 18 months (January 1997 - June 1998) of operational experience in order to determine whether or not they produce longer-term benefits in delivering public health and environmental protection.	Senior Leadership Council	January 1997
2. Develop a Systematic Method to Evaluate Reorganizations: During 18-month period that the Regions are gaining additional operational experience, OARM should convene an Agency-wide workgroup to develop a process for assessing the success of reorganizations that includes both quantifiable and qualitative data. The final evaluation process should have Agency-wide consensus.	OARM	June 1998
3. Conduct an Analogous Preliminary Assessment of Headquarters Office Reorganizations. OARM should lead a review of the reorganizations which took place in Headquarters during FY 1995, similar to this Innovative Regional Structures Review, to identify lessons learned about what works and what does not.	OARM	July 31, 1997
4. Conduct a Follow-up Evaluation to this Review and the Headquarters Review at the End of the 18 Months. In June 1998, OARM initiate/lead a follow-up evaluation both to this Review and the HQ review suggested in Recommendation 3 above, using the systematic evaluation process (see Recommendation 2 above) agreed to by the Agency. The follow-up study should have an Agency-wide perspective and include all Headquarters and Regional Offices.	OARM	December 31, 1998
5. Assess Differences in Balancing Enforcement and Compliance Assurance: OECA should analyze the differences among Regions in their balancing of enforcement and compliance assurance activities and continue its efforts to communicate the relative priority and appropriate use of all enforcement and compliance assurance tools.	OECA	June 31, 1997

RECOMMENDATION	SUGGESTED LEAD	SUGGESTED COMPLETION DATE
6. Improve Tracking Systems: OECA in concert with the OCFO should lead an Agency-wide effort to improve systems for tracking and crediting multi-media activities, EJ efforts, compliance assurance activities, their related environmental results, and sector-based approaches. These systems need to start with clear definitions of terms and break out of the media-specific focus on the "legacy systems."	OECA	September 30, 2000
7. Study the Effect of the 1:11 Supervisor to Staff Ratio: OARM should broadly assess the impact going to 1:11 has had on EPA, considering how to either make it more likely to work or provide more flexibility in its application. This study should factor in non-Federal staff managed by supervisors.	OARM	April 30, 1997
8. Assess Cross-Media Expertise via Movement of Managers and Staff: OARM should conduct a review of cross-program experience within the ranks of EPA management to determine to what extent tangible benefits can be identified, and at what cost. Based on the benefits and costs identified, the review should also look at how frequent and to what extent the movement of managers from program to program should be encouraged within the Agency. This assessment should factor in Region X's "Assignment, Not Positions" concept for rotating managers and staff every few year.	OARM	December 31, 1997
9. Find the Right Balance in Redefining Management Roles and Behaviors: OARM should expand on the management behavior guidelines in EPA's Reinvention Guidance to address finding the right balance between coaching/mentoring and more technical roles.	OARM	April 30, 1997
10. Support the TeamEPA Project. OARM should provide necessary resources to implement the recommended national program activities; assess the extent of matrix management operations across EPA; and implement necessary activities and training to build this capacity. The Team also recommends that OARM quickly implement PERFORM (the new performance management system) at EPA.	OARM	April 30, 1997
11. Dedicate Resources and Strong Support for Processes, Training and Structures Needed to Build Regional Capacity in Working in Teams. This includes developing local programs to implement TeamEPA recommendations, clarifying and distinguishing interrelated roles and expectations of supervisors and team leaders, and building expertise to assist teams in successfully achieving goals.	Regional Administrators	September 30, 1997

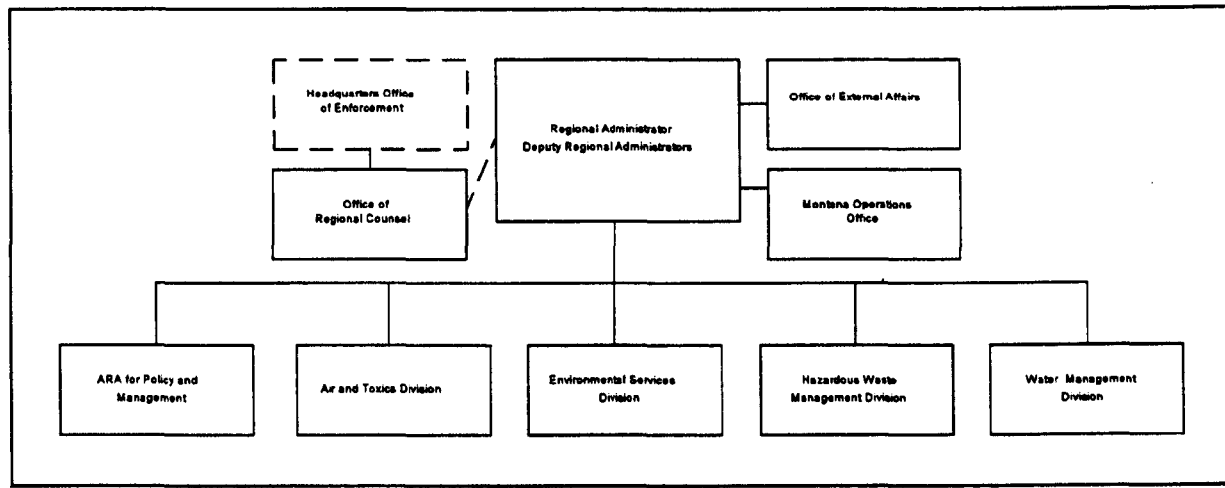
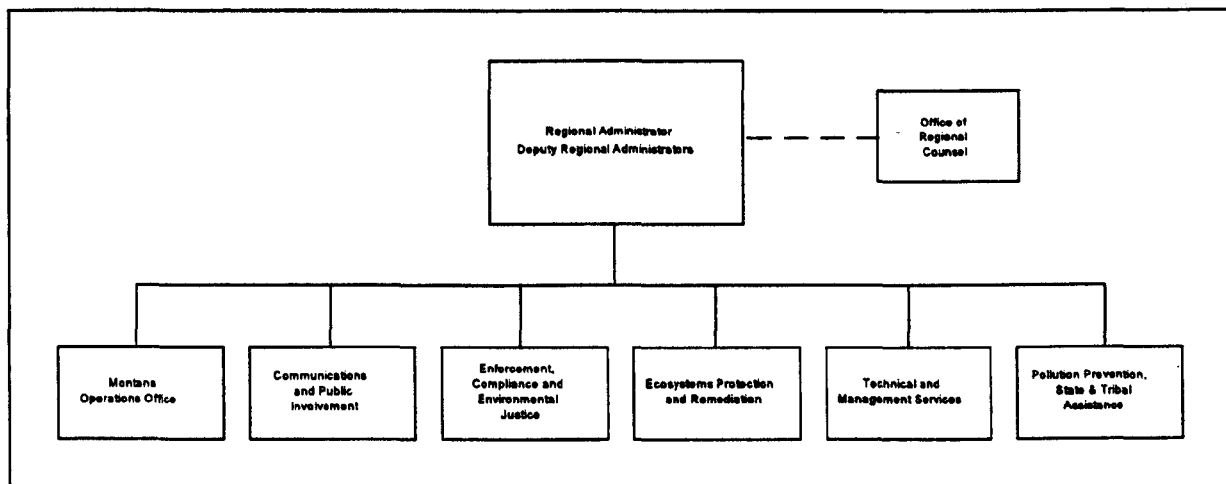
RECOMMENDATION	SUGGESTED LEAD	SUGGESTED COMPLETION DATE
12. Clarify Goals for Agency Initiatives: EPA senior leaders should develop Agency-wide agreement on goals/objectives for Community-Based Environmental Protection, Pollution Prevention, Environmental Justice, and other Agency initiatives, and define "measures of success" for tracking progress. The SLC should sponsor this exercise, and require the NPMs staffing the initiatives to lead development of the goals/objectives and success measures for their respective initiatives.	SLC (NPMs with lead for these individual initiatives would staff the SLC)	Before FY98 round of MOAs.
13. Annually Evaluate Regional Performance under the MOA Process, and later EPA's Planning, Budget, and Accountability System: If Regions are not meeting their commitments, determine the causes and whether there is connection between delivering on commitments and their organizational structures.	Office of the Chief Financial Officer (Agency lead with involvement from NPMs and Regions)	December 30, Annually.
14. Better Coordinate EPA's MOA Process: In establishing EPA's planning, budgeting and accountability system, OCFO should bring the different NPMs' MOA process onto the same time schedule.	Office of the Chief Financial Officer	June 30, 1997
15. Assess Small Programs in the Regions: Using performance measures, evaluate whether small programs — such as pesticides, toxics, UST, oil spills — have lost program effectiveness and/or efficiency as a result of the Regional reorganizations.	OPPTS/OSWER/OAR	June 30, 1997.
16. Strengthen EPA's Clearance Process for Reorganizations: OARM, in consultation with Headquarters and Regional managers and staff, assess the effectiveness of EPA's processes and procedures for designing, reviewing, and approving reorganization processes.	OARM	June 30, 1997

APPENDIX 2

REGION-SPECIFIC OBSERVATIONS

The following Appendices summarize the observations of the Review Team's on-site visits to the Regional Offices. The Appendices are in the order that they were visited by the Review Team.

- Appendix 2a Region VIII, Denver, CO
- Appendix 2b Region VII, Kansas City, KS
- Appendix 2c Region X, Seattle, WA
- Appendix 2d Region V, Chicago, IL
- Appendix 2e Region I, Boston, MA

APPENDIX 2a**Region VIII, Denver, CO**
REGION-SPECIFIC OBSERVATIONS**Site Visit: August 12-13, 1996****Organizational Structure Prior to October 1, 1995****Current Organizational Structure**

BRIEF DESCRIPTION OF THE REORGANIZATION, and STATED INTENTIONS AND DRIVERS

In approaching reinvention and reorganization, Region VIII sought to evolve towards new approaches to ecosystem protection and pollution prevention, as well as toward new partnerships with States, Tribes, the regulatory community and the public. The following were identified as the driving forces for change.

- The new strategic vision embodied in EPA's Five Year Strategic Plan and its seven guiding principles: ecosystem protection; environmental justice; pollution prevention; strong science and data; partnerships; reinventing EPA management; and environmental accountability.
- Stakeholder involvement in decision-making - customer focus and communication.
- The National Performance Review and resultant Executive Orders (e.g., establishing a 1:11 supervisor to staff ratio).
- The Administrator's decision to allow a choice between three options to reorganize enforcement.

The following major changes are characteristic of this change in focus from current environmental programs to future ecosystem and community based challenges.

- Moving from a solely statutory organizational structure to a functional and strategic principle structure in alignment with the agency's Five Year Strategic Plan.
- Creating an organization that will more effectively establish partnerships with States, Tribes and local communities.
- Implementing the Regional component of the OECA reorganization by consolidating enforcement and compliance programs into a central point of accountability to provide one voice and one focus. This includes providing a point of accountability for environmental justice.

The new organization comprises the following major offices:

- Communications & Public Involvement
- Pollution Prevention, State and Tribal Assistance - includes Air, Water, RCRA, Pesticides, Toxics, P2 assistance and State and Tribal Assistance
- Ecosystems Protection and Remediation - includes all of Superfund, Federal Facilities and Ecosystem Protection and parts of the old Water Division

- Enforcement, Compliance and Environmental Justice - implements Option 3
- Regional Counsel - counseling services
- Technical & Management Services - includes OARM and OPPE functions plus laboratory and quality assurance

STRATEGIC PRIORITIES

*This section focuses on how well the reorganization has positioned Region VIII to achieve the Agency's strategic priorities: **Community-Based Environmental Protection; Pollution Prevention; Partnerships, Enforcement, Compliance, and Counseling; and Environmental Justice.***

COMMUNITY-BASED ENVIRONMENTAL PROTECTION (CBEP): As part of its reorganization, Region VIII gave CBEP an institutional home (the Ecosystem Protection Program, in the Ecosystems Protection and Remediation Office), resources, and an advocate for geographically targeted, cooperative approaches. There was general agreement within the Regional Office that CBEP would not happen otherwise. Everyone had too much else to do before the reorganization. The Regional Office has devoted 20% of its resources to CBEP and has written letters to the States telling them they can do the same. Fifty-five geographic and sector teams have been established and are developing working relationships and work plans for advancing CBEP in the Regional Office. The Regional Office is trying to prioritize projects based on ecosystem resources and threats and has developed factors for prioritizing projects. The factors they use in evaluating projects include environmental/public health risks, whether EPA involvement/assistance is wanted, where the Regional Office can be most effective as a partner, and potential socio-economic impact. The Regional Office is involving other Federal agencies and State and local agencies, including County Health Departments in the projects. Some in the Regional Office noted that CBEP revises the perception that EPA is the "black hat" and has led to more effective coordination with these agencies efforts. Relationships are much less adversarial and agencies with overlapping missions should be able to marshal/coordinate resources more efficiently/effectively. Team members have performance standards incorporating common elements for success of the CBEP projects.

While CBEP has a home, an advocate, increased resources, and numerous projects underway in Region VIII, some of the concerns raised in the Regional Office indicate that it is too soon to judge the ultimate success of the Program. Everyone is still trying to determine their roles and responsibilities. Staff in the Ecosystem Protection Program still need to coordinate or work in teams with the media programs. They noted that it is difficult to get program staff to come to the table. Program office staff noted that when the Regional Office increased the priority for CBEP and pollution prevention, they did not anticipate the burden on the basic programs. The program offices

have shrunk but their traditional work has not gone away. The Regional Office has found it hard to determine measures of success. While it has developed some measures, it does not have baseline data for them. Team members have common performance standards, but managers are evaluating staffs differently. Team start-up has proven to be expensive and some teams are more self-directed than others. It was reported that numerous teams report to a single person, even though some teams are led by staff from other offices and that the large span of control makes it difficult for the manager to keep up. The Regional Office is still trying to identify its CBEP counterparts in other Regions with whom to coordinate. Finally, the Regional Office noted that travel dollars may be a problem and that it is going to need to bring "seed" money to the table to make CBEP work.

POLLUTION PREVENTION: The reorganization also gave Pollution Prevention (P2) priority and an institutional home (the Pollution Prevention Program, in the Pollution Prevention, State and Tribal Assistance Office). The reorganization gave P2 visibility, support, and resources.

While the reorganization gave P2 a home, some staff believe there is a duplication of P2 efforts among the P2 Program, CBEP and the media programs. The Region is still sorting out the P2 responsibilities. P2 staff feel that they are held accountable for the program where they do not directly control it and must depend on the media programs for P2 results. Multiple program offices are reporting on P2 activities and coordination with Headquarters and the States has initially been more difficult. To help address this problem, OPPTS asked the Regional Office to identify a single point of contact for them to work with and the Region has negotiated a P2 MOA with OPPTS to help address the issue.

PARTNERSHIPS: Region VIII set up a State Assistance Program and a Tribal Assistance Program as part of the Pollution Prevention, State, and Tribal Assistance Office to help coordinate and strengthen Regional partnerships with the States and Tribes. (The Region considered establishing more State Offices like Regions I and X did, and similar to their own Montana Office, but decided not to.) The Tribal Assistance Program has concentrated Tribal assistance in one office and resources have been clearly designated for Tribal activities; Tribal resources have been increased. The Tribes seemed pleased with the Region's increased presence, commitment, and advocacy and that the Regional Office was beginning to implement the Indian Policy. They noted that the Regional Office was moving in the right direction. States and Tribes like having a single point of contact in the Regional Office. State representatives interviewed generally gave high marks to the Regional Office for keeping them informed of what was going on and soliciting ideas regarding the reorganization. State representatives generally thought PPGs offered a lot of promise, particularly if they include more EPA responsibilities and if EPA is willing to invest and disinvest in programs that work and do not work, respectively. States thought PPGs couldn't have been coordinated as efficiently without the reorganization.

Generally States felt the significant amount of movement of staff, managers, and responsibilities made State and Regional contacts and working relationships more difficult. They indicated that it is hard to know who to call even with the organizational chart; staff kept moving and phone numbers kept changing. It takes time to meet new people. Some State representatives were concerned the Regional Office was focused inward trying to resolve its own problems. One State Director noted

that Regional staff are still trying to find their own way and appear more process than results oriented.

It was reported that State Directors have expressed concern about having to work with GS-15's when they have been used to dealing with SESers. Several State representatives noted that staff appear either tentative or unable to make decisions, probably because so many of them are new to their positions. Some staff were seen as more responsive/enthusiastic than others; some were recognized as good at coordinating PPGs but less effective on single media problems. One State representative noted, however, the State could still count on a quick resolution and response to issues by Senior Managers. State Directors end up calling the RA and DRA when they do not know who to deal with and seem to elevate issues to the RA quickly. The Region reports that it and its counterparts are settling in and becoming accustomed to each other.

Some State representatives expressed frustration with the reorganization veering from the original media structure that's reflected in State and Headquarters organizations and the environmental statutes. They noted that the reorganization was not likely to succeed without a similar Headquarters reorganization. One State representative noted that his State was much in need of traditional hands-on technical assistance (e.g., air and water permitting and modeling assistance) and fewer new initiatives and another noted the need for training regarding the new Drinking Water Program. Another State representative expressed concern about the Enforcement Division and two representatives felt the Enforcement Division was too focused on enforcement and not enough on compliance assistance. One State representative felt that a previously good, supportive Regional FIFRA program had been dismantled. The State used to have one Regional contact to deal with regarding FIFRA and now they have five or six; new FIFRA contacts need training. Some Tribal representatives noted that there does not seem to be a clear chain of command between the Montana and Denver offices (e.g., regarding some big NPDES issues) and others noted that program officers and grant officers do not seem to know what the other is doing.

Tribal responses varied regarding the degree to which they were involved in the reorganization. Two Tribal representatives noted they were informed what the Regional Office was going to do, but that they were not really involved. They indicated they would like to be involved more in what remains to be done. Tribal representatives noted that knowing who to contact had been a problem during and right after the reorganization and phone numbers kept changing, but that things were getting better and responsiveness had improved.

ENFORCEMENT, COMPLIANCE, AND COUNSELING: Consolidation of enforcement activities was one of the fundamental objectives of the reorganization. The Regional Office separated enforcement and counseling, however. In the prior organization, there was poor consultation and there were different enforcement policies for different statutes. Five options were considered for how to organize the seventy people in the newly-consolidated Technical Enforcement Program. Ultimately, it was left up to the new enforcement organization to decide how to organize itself. The office decided to continue media groups to help with Headquarters communications and to create cross-media sector and State teams to support State activities. Each case officer handles both compliance assurance and enforcement.

The separation of counseling and enforcement functions has provided a clarification of roles for both the enforcement and the counseling attorneys, which the Regional Office views as advantageous to the program clients. The Regional Counsel staff, who originally resisted losing enforcement responsibility, now seem to be happy with counseling and overall professional opportunities. Enforcement attorneys are now able to work across media lines. While most enforcement attorneys are developing multi-media capacity, there are still senior enforcement attorneys who are experts in particular areas (e.g., media programs, mining, and multi-media).

The enforcement staff recognize the need to work harder to coordinate and acknowledge the need for the Regional Office to speak with one voice. They also noted that about half of the technical enforcement staff have new or modified jobs. The separation of enforcement and program staff has created file system problems too. The consolidation of enforcement has made delegated program issues more difficult and evident. States are willing to do compliance assurance, but they are not committed to enforcement, thus making frequent interaction with the States more important.

Enforcement and Counseling staff were concerned that OECA has not made the administrative adjustments necessary to accommodate and support the Regional reorganization. Particularly, there is no Headquarters system to track multi-media activities. Headquarters still wants media specific data. The Regional Office thinks Headquarters needs to adapt and that AAs' goals must include non-media specific objectives. Even OECA remains media-specific. The Regional Office also thinks there is a need to define the terms "multi-media," "sector," and "environmental justice" and to start crediting activities in these areas. Like other offices, the Office of Regional Counsel did not get the resources it was promised during the reorganization. The Regional Counsel and the Chief Legal Enforcement Counsel are working to identify counseling matters in enforcement matters and vice-versa.

REINVENTION PRIORITIES

This section focuses on how well the reorganization has positioned Region VIII to achieve the Agency's reinvention goals: Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Design.

Region VIII has made progress, at differing rates and to differing extent on all of these reinvention priorities. In most respects it is just too soon to tell how well things will ultimately turn out. Since many of these priorities have significant "cultural" components, a two or three year horizon may be more appropriate.

Based on the first year's experience, change has been as hard or harder than anticipated in many cases. As with many attempts at major cultural and organizational change, Region VIII has

discovered numerous, previously uncharted, bumps in the road. The good news is that they are moving in the right direction and are responding to problems as they present themselves.

PROCESS FOR REORGANIZING: The reorganization was led by the Regional Administrator and the Region's Senior Leadership Team (SLT), composed of the Region's six SESers. Current senior management noted that a dramatic change like that undertaken by the Regional Office requires a strong political leader to be successful. The RA initiated the reorganization planning by putting out an open call to all staff for design proposals and held a town meeting where anyone could present proposals to the RA and members of the SLT. The SLT met off site in Peaceful Valley, where they developed a hybrid design from the proposals staff had presented.

The SLT then established a Design Team, composed of a representative from each of the Region's divisions to fill in the details of the design. Each Division Director selected the representative from his/her division. The Design Team was composed of both staff and managers. The Regional Office set aside a room called "The Think Tank" where all reorganization materials were posted for staff to review. "The Think Tank" contained a comment/suggestion box for staff feedback and ideas. Management indicated that hundreds of e-mail messages were sent to staff regarding reorganization activities and the DRA had regular listening sessions where any employee could express concerns about the development of the reorganization. Senior management noted that they involved the Union every step of the way but had not involved the Assistant Administrators enough. The RA and DRA provided Headquarters Offices a broad overview of the Region's reorganization proposal in Senior Leadership Council meetings before decisions were made. Program Office Directors were not uniformly consulted, however, until after the decisions were made.

As part of the placement process the Regional Office surveyed every employee to determine the percent of their time spent on specific functions. If 100% of a employee's time was spent on a particular function, the employee was placed wherever the function was located. Employees whose jobs were split between functions participated in an all-day Job Fair where they could interview for any of the new/vacant positions. Each existing supervisor had an opportunity to identify three supervisory and three non-supervisory positions he or she was interested in. The SLT selected the people to fill the various positions.

The Regional Office used consultants during its reorganization and relied heavily on a book by William Bridges titled Managing Transitions - Making the Most of Change, as a guide for working through the difficult challenges presented by a dramatic reorganization. The SLT used the book throughout reorganization planning. The Design, Implementation, and Transition Teams also used the book. The SLT and Team members considered the book an excellent resource.

While Senior Management and the Design Team designed a process to ensure staff involvement and buy-in to the reorganization, some staff feel they were not meaningfully involved. Staff realized that the SLT and the Design Team would probably feel like they had spent six to seven months trying to get input, but some staff expressed concern that the efforts to involve them did not seem focused and that the information wasn't always presented in a way that was useful to them. The goals for the reorganization did not uniformly funnel down to all the troops. Different staff thought the

reorganization had occurred for different reasons (e.g., had to address enforcement reorganization; had to move from stove pipe structure to themes).

Staff seemed to be overwhelmed with too much information and noted that "The Think Tank" had papers all over the room. Many staff did not read the reorganization plan, because they did not believe it would happen. Other staff noted that it was their impression that it was a given that the Regional Office was going to reorganize; there was no choice. Some staff felt as if the Region had not analyzed what was and was not working before they reorganized, and wondered why not. Staff said the SLT presented them the reorganization design and indicated that the details would be filled in later. Some staff feel they still do not have the details.

The work of the Implementation Team was driven by the September 30, 1995, deadline and was compressed/cut short. The Human Resources Office was busy developing PDs, advertising and hiring. Some of the Implementation Team found themselves new managers of key programs and had to move on to managing the programs. The Implementation Team needed more time to train and educate staff. A lot of the Implementation Team's time was spent working with staff, answering questions and explaining the reorganization. People started paying attention once they were in their new jobs.

The SLT and Regional Leadership Team (RLT), made up of 45-50 Regional managers/program directors continue to be active in the transition phase of the reorganization. RLT members are busy learning their new program responsibilities and tracking the success of their programs and staff in adapting to the new organization. Issues are brought back to the RLT for consideration. The Transition Team distributed a survey to the SLT and staff regarding how well the work hand-off went. The results will be gathered and analyzed.

Jane Chadbourne is responsible for leading the effort to measure the success of the reorganization. Senior management considers Jane the conscience of the Regional Office. She is advising the SLT on organizational issues. A cross-Regional effort has been initiated for the SLT to define what is not working and identify ideas for fixing problems by the end of the year. Workgroups have been established to address specific problems (e.g., workgroup re: files and records management) and make recommendations to managers. The Region's Reinvention Process Re-engineering Expert went on a detail. Some feel that the Regional Office needs to refill the position in order to revise processes that need to be streamlined.

In spite of management efforts to reach out and involve staff and to develop buy-in for the reorganization, the Regional Office underestimated the resistance to change and the emotional impact of the reorganization. The reorganization, budget, and shutdown problems and the Region's inability to relocate all new groups quickly together created morale problems. The reorganization was hard for many, and especially for those who are no longer supervisors. A few of them expressed a sense of failure and believed at the time of the interview that the Region had not done enough yet to help them transition.

Some technical staff resent the fact that supervisors who lost their supervisory positions were moved into technical expert positions. Some technical staff believe these moves cut out/reduced their

options for pursuing the technical career ladder. The technical experts do not believe they can compete with former managers in spite of their education and expertise. Program technical experts feel like they have to re-prove themselves as experts to new managers and find it demoralizing to have to justify every decision they make/ recommend to every new manager in the management chain. Staff are frustrated with the number of people they need to sign off on actions where roles and responsibilities are not clearly defined yet. Staff were overwhelmed by the amount of change all at once and the number of physical moves. Transaction costs have been tremendous.

SHARED VISION AND VALUES: Region VIII entered the reorganization process with an explicit statement of vision, mission and values. Staff input to the process of developing these statements included an all employee staff survey with 68% of staff responding. While few staff may be able to recite the vision statement, many staff clearly identified the Agency's Five Year Strategic Plan (July 1994), known to most as the "orange book," as the centerpiece of the vision for the new organization. At the same time, some staff remain unclear as to why the Regional Office reorganized. The "why" was also unclear to some of the State officials interviewed.

CUSTOMER FOCUS: Under the various banners of stakeholder involvement, partnerships and customer focus, Region VIII sought process and cultural change in how they interact with their many varied publics. Significant efforts were made to seek input from States, Tribes, environmental groups and the regulated community during the organizational design process. States were appreciative of this opportunity.

In shifting around many staff and managers, some customers lost their historical point of contact. In some of these cases, relationships are of paramount concern to the customer. It will take time to establish these new relationships and networks. There is still substantial confusion, internally and externally, about who to call for what. In the months following the implementation of the reorganization, some of the States perceive that Region VIII became very internally focused, as people and programs got sorted into place.

Beyond cultural/behavioral changes, Region VIII made structural changes which provided greater customer focus for some programs. Creation of State Assistance and Tribal Assistance Units have provided those customers with very clear points of contact, dedicated to serving their concerns. These customer sets are covered more efficiently. The new ORC has clarified the role of counseling attorneys which has been advantageous for program clients.

Some NPMs do not agree that there is sufficient internal customer focus on national program issues/concerns.

DIVERSITY: Due to the Agency's hiring freeze, the diversity of the Region VIII workforce is basically unchanged over the past year. The supervisory positions in the new organization were filled primarily from the existing supervisory pool. Therefore, not much change could take place in the diversity profile. However, despite the loss of one Hispanic male supervisor, the Region added one Hispanic male and one Native American female through merit promotion competition of four supervisory vacancies.

ORGANIZATIONAL DESIGN: Region VIII's reorganized structure reduced the number of layers, thought not necessarily consistently. They did eliminate the Deputy Director level across the organization. It was noted that eliminating deputies hinders continuity in senior-level decision making and meetings since the ARAs are out on the road a lot.

In most cases, the first-line supervisors report directly to the Assistant Regional Administrators, effectively eliminating the middle management layer. In some cases there are teams operating within these units. However, some parts of the organization have two management layers below the ARAs, particularly where the number of people in a particular program area created untenable structures. For managers with multi-program responsibilities, there are just too many national meetings for some to be able to cover and Headquarters folks are not always accepting of attendance at national program meetings by non-SES managers..

A major design objective of the reorganization was to build a dynamic organization, one that could change with changing external forces. It is hoped that future changes would be small adaptations rather than the wholesale change that occurred this time. It is far too early to evaluate this goal.

Between structural and personnel changes, there has been enormous strain on communication and coordination, both within the Regional Office and in its dealing with all external parties. Concerns about "who do I call," "who can talk to whom" and how many people have to be coordinated with abound.

Many more people are talking with each other in the Regional Office, building a much greater awareness of what the Region is doing. Some elements which previously had to coordinate across the former organization were structurally consolidated and now communicate much more smoothly and can speak with one voice (e.g., enforcement, Tribal assistance, P2). Transaction costs for some within-media business that is now located in multiple parts of the organization has significantly increased (e.g., pesticides, RCRA).

Region VIII feels most designated contacts have the authority it needs to deal with Headquarters. However, some external parties (e.g., States, Headquarters) would still rather talk with an SES-level director than a "program leader."

Between new faces, new units and unclear titles for some units, some outside parties, including Headquarters, do not know who to call or where to get information. Also, there are still people within the organization who do not know where to refer outside calls. It took too long to update the phone book after the move, compounding the confusion. In the absence of an updated phone book, employees were asked to update their personal information as needed in an electronic LAN-based phone book, but many employees did not follow through.

Proposals and action ideas for improving work processes and systems were featured prominently in Region VIII's reinvention plan. Region VIII piloted the first "block" grant with North Dakota and has been the fastest Region to develop and sign Performance Partnership Grants with its States.

Some staff feel that not enough attention was paid to reinventing or inventing basic processes needed within the new organization. Some basic processes lacked vested owners until the new organization was actually implemented. Then the need for efficient processes became a harsh reality overnight. The need for definition and refining of many processes remains.

NEW WAYS OF OPERATING: The Regional Office met the required supervisory/employee ratio as part of the reorganization, but there is general concern at all levels of the organization about going to 1:11. It has been very hard for managers — many of whom have a huge span of control and many of whom are assigned to a new substantive work area. Some noted it may be harder for staff not ready for empowerment. Staff have come to expect frequent interaction with managers and now they are often on their own.

Senior management designed the reorganization for greater empowerment. They wanted supervisors to be supervisors, and not program managers. A large percent of supervisors (60-80%) are doing program management. Managers in the new organization were envisioned as focusing more on strategic priority setting, coaching and administrative resource needs and less on technical management. However, some managers are struggling with their new roles and responsibilities as they try to break the EPA culture of supervisors as technical experts. Regional management noted that while the Administrator pushed empowerment for a while, the Regional Office has not heard much about it from Headquarters in the last couple of years. The Regional Office believes that, based on its behavior, Headquarters management still expects Regional managers to understand program details. The Regional Office has provided training for managers on empowerment, but is only beginning training for staff.

There is still confusion regarding the accountability part of empowerment. Some staff think empowerment is license to do what they want, without accountability. Some staff are lost/not ready for empowerment. Empowerment is particularly difficult for staff who have been moved into new program areas and job responsibilities under new managers, many of whom are learning new jobs as well and do not have as much time as they might like to work with staff.

Some Regional employees feel like program directors often have to wear too many hats. For example, some are first line supervisors, second line supervisors, staffers, and members of the RLT. Some managers lost their administrative help; many managers are now typing, Xeroxing, and taking phone messages. The Agency needs to more clearly define the role of manager, i.e., managers of programs v.s., managers of people; what's the appropriate balance. There is still confusion regarding the differences in the roles and responsibilities of managers/supervisors and team leaders. Union representatives consider the roles of team leaders ambiguous. The perception of the union representatives is that some team leaders operate as supervisors, and, in their view, if team leaders are supervisors, the Regional Office has not met its 1:11 goal.

Region VIII has strived to make cultural changes in the use of teams and the role of managers. Teams have been emphasized and continue to work within and across organizational boundaries to provide emphasis on particular priorities. Teams, particularly in CBEP, are able to bring sharp focus to specific environmental areas of concern. Region VIII also has in place a mechanism, the Change Team, specifically designed to support teams and their establishment. Still, Region VIII has found

it much harder to get successful teams off the ground than had been hoped. It is a lot of hard work and not everyone is cut out for teams.

There are two Regional management teams. The RA, DRA and ARAs comprise the Senior Leadership Team, which focuses on the big picture and a few individual sensitive issues. The Region also created a Regional Leadership Team comprised of all its Program Directors and some non-supervisory managers, modeling the team approach in involving all of them in significant Regional management decisions. The Regional Leadership Team has promoted greater understanding, buy-in and communication of management decisions they have worked on. It is not without substantial challenges though as getting the 50 person team to consensus on issues is very time consuming.

The Regional Office has suffered a significant loss of institutional memory due to the significant movement of staff and managers and changes in their roles and responsibilities in the Regional Office. About half of the new managers had no program experience in the jobs they were moved into. In some cases, staff feel like they are continually educating the new managers, who frequently do not understand even the underlying statutes. Work slowed for a while, in some programs, until new managers were educated/trained.

ACCOUNTABILITY AND INTEGRITY

This section focuses on how well the reorganization has positioned Region VIII to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations and central agency guidance.

RESOURCE AND MANAGEMENT INTEGRITY: Improving or maintaining the integrity of the resource management structure and the capacity of the Senior Resource Official (SRO) to ensure resource management was a principle the Senior Leadership Team was guided by during the reorganization. Though the structure was changed somewhat, the integrity of the key processes has been preserved.

In an environment where many managers changed jobs, Region VIII kept key, seasoned managers in charge of their critical resource operations. Region VIII eliminated the Comptroller position, after very careful consideration, knowing that it would keep in place very competent and experienced finance, human resources, and budget officers and would be bringing in an experienced grants manager.

This stability helped them weather the budget crisis in early FY 1996 and allowed them to focus on helping others, particularly the Administrative Officers (AOs) serving in new program offices. Those AOs are now mostly up to speed. The SRO utilizes performance measures for SRO functions, including review of the Agency's core financial measures monthly.

Region VIII's operating plan process was basically unaffected. The budget staff interviewed all managers and went person-by-person through the organization to ensure that people were charged to appropriate program elements. Even without the reorganization, there is a growing disconnect between the increasing multi-media work being performed and the Agency's historical media-based program element structure. Well over half the staff are now appropriately working on split fixed account numbers.

The Regional Leadership Team has been involved in decisions on how to allocate dollars and positions, strengthening their understanding of the decisions and attendant responsibilities. The downside is the time it takes to work such decisions through a group of 50 people. There appear to be clear lines of authority and understanding of the accountability of program directors for resource management.

The State Assistance and Tribal Assistance units have designated contacts who serve as Project Officer for each State or Tribe, bringing most assistance resources into focus. However on the grants administrations side, while the structure was basically unchanged, the grants workload is "exploding" without increasing resources. This was felt to not be directly related to the reorganization.

The budget crisis had a tremendous effect on the reorganization. Region VIII had to delay its move, could not travel to visit new customers and could not hire. It made things especially difficult in the new initiative areas.

Changing the responsibilities of so many staff and managers did temporary damage to efficient resource utilization as people struggled with exactly what they were responsible for and how to properly charge it. This is viewed as a "one-time cost."

PROGRAM ACCOUNTABILITY: One of Region VIII's aims was to incorporate a dynamic, on-going evaluation process that would measure a combination of activity/ output measures, outcome/result measures and some "temperature checks." In particular, they sought to develop effective indicators for cross or multi-program initiatives. There is early evidence that geographic teams are now more focused on results oriented problems.

Region VIII has built a network of senior planners and analysts (reporting to each ARA) who are helping move toward more GPRA-type thinking. This group recently produced a Regional strategic plan with each office responsible for measurements, dates and deliverables. Contained in the Strategic Plan is the development of a new Integrated Environmental Data System.

Region VIII focused on and revised the most critical delegations of authority in advance of implementing the reorganization, so all the needed authorities were in place when needed. In the

process, some authorities were delegated further down in the organization. It has taken much longer than anticipated to revise or establish delegations within offices. This is attributed by some, at least in part, to having many managers in new positions who were unable to rely on experience to tell them the best level for delegation. The Regional Office has a delegations group now focused on reviewing and revising delegations to the ARAs..

Some programs are experiencing higher transaction costs in the MOA process because they are located in different parts of the organization. For example, basic responsibility for the MOA with OPPTS rests with the manager of the Toxics Program. However, the MOA includes Pollution Prevention activities, which are the responsibility of another manager. These two elements, which operate independently, must merge their MOA pieces to feed to OPPTS. Others noted, however, that this split of responsibility was even greater before the reorganization - now, at least both pesticides, toxics and P2 functions are in the same Office. Also, there is no Headquarters system that focuses on or tracks multi-media work. Even within OECA, accountability is media-specific.

OTHER RELATED ISSUES: This section captures information on other reorganization related impacts not found in the preceding sections. Region VIII's reorganization had repercussions on Regional infrastructure and labor-management relations as well.

Region VIII established a files management workgroup to deal with historical shortcomings issues brought to a head by the reorganization. They are now making a real investment in files management.

Agency-wide administrative systems that managers must rely on (e.g., time and attendance, performance management) have yet to be simplified and automated to help managers deal with the increased number of employees reporting to them.

Budget, battles with Congress, shutdowns, and other constraints postponed the physical relocation of people into their new organizational groupings for months, sapping momentum for change. These constraints kept people from moving their phone numbers with them, which added to internal and external communication problems.

Despite what management felt was a very inclusive design process, AFGE Local 3607 requested bargaining on 25 specific bargaining issues very close to the point of implementation and after the deadlines for such requests required by the Collective Bargaining Agreement. Management did not grant an extension of time. An Unfair Labor Practice was filed by the union over the refusal to bargain and the deadline. The FLRA declined to issue a complaint. The tension spilt over into bargaining over space and how the move was to be executed, contributing to the delay in implementation.

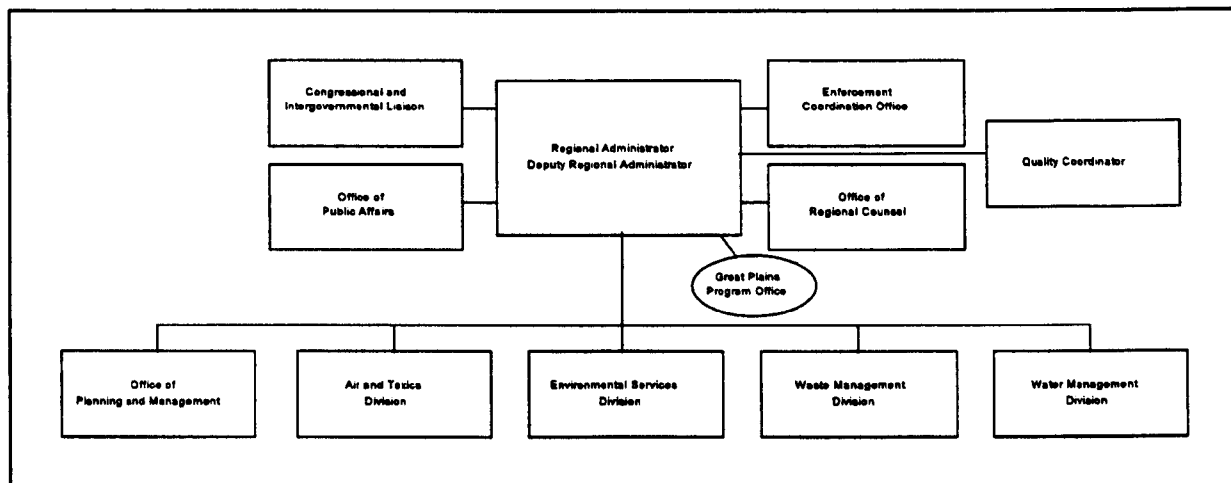
The Agency's IRM infrastructure has not kept up with reinvention goals. There continues to be too much reliance on "legacy" systems, and too little investment in systems to support more multi-media work.

APPENDIX 2b

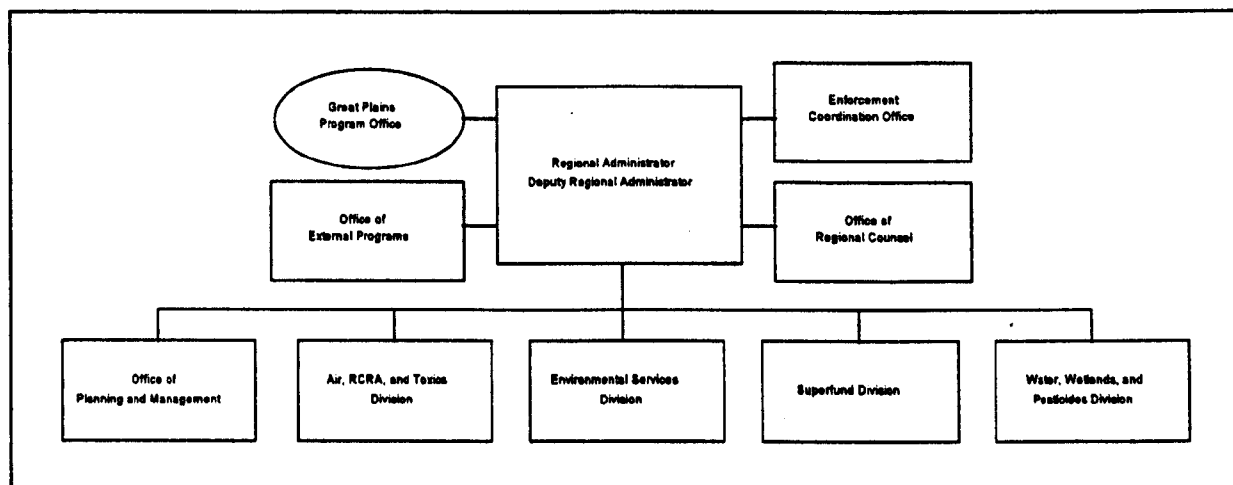
Region VII, Kansas City, KS
REGION-SPECIFIC OBSERVATIONS

Site Visit: August 14 - 16, 1996

Organizational Structure Prior to October 1, 1995



Current Organizational Structure



BRIEF DESCRIPTION OF THE REORGANIZATION, and STATED INTENTIONS AND DRIVERS

Region VII's reorganization was characterized by strong direction by senior management, moderate structural change (see attached organization chart), and substantial organizational movement of managers and staff. Senior management identified the principal drivers of the reorganization to be the need to achieve and supervisory ratio of 1:11; a requirement to select one of the enforcement options proposed by HQ; and the interests in minimizing the disruption to the existing relationships with States and in maintaining links with HQ offices.

The senior leadership of Region VII played a particularly important role in planning and leading the reorganization. They met early on to produce the "Rockhurst Consensus" the outline of the major features of the Region-wide reorganization, the so-called "macro" changes. These structural changes were put in place before each new division was invited to plan for its own internal organization. Staff participation had a much bigger effect on this second-round process. Senior management also controlled the process of selecting supervisors and senior experts as well as the movement of staff. Overall, the senior managers spent a considerable amount of time and energy on the reorganization and its impact on staff.

The most significant changes were as follows.

- The Region considered but rejected the option of consolidating enforcement into a single division. Rather, they opted for the enforcement coordinator model of Option 2 with the creation of a new, small coordination office reporting to the DRA. The reorganization left enforcement functions in the various media offices and in ORC, which internally reorganized to stress a multi-media approach. The Region also continued the successful Multimedia Enforcement Coordination Committee. Selection of this option built on strong existing enforcement relationships within the Region. The Region also acknowledged that a consolidated enforcement division would have moved 40% of the entire Regional staff into a single office.
- The Region created an Air, RCRA, and Toxics Division to address environmental issues of the industrial sector. This was done over the objections of the RCRA staff, who resisted separation from Superfund, and the objections of OPPTS, which wanted the toxics and pesticides programs to remain together. P2 was relocated to this new Division. To focus on agricultural issues, the Region created the Water, Wetlands, and Pesticides Division. This Division became the home to NEPA issues and took the lead for the Region on CBEP matters. The Superfund Division combined the remedial program, the removal program (formerly housed in the Environmental Services Division), and enforcement. The Office of Policy and Management was encouraged to become more customer focused. ESD now has responsibility for the lab, field inspections, the GIS function, and QA/QC.

- The Region removed a layer of supervision to meet 1:11, reducing the number of supervisors by approximately half. All supervisory jobs were competed, with senior managers making consensus decisions about new placements in light of the skills mix. In doing so, they first sought out the best managers. The results were then examined to assess the impact on the diversity of the workforce; the diversity profile apparently improved, in part, because the process was so open. They also stressed cross-media movement; as a result, most new supervisors had different positions than before the reorganization. The Region also tried to use the dual career track concept in creating senior technical expert positions for some of the former supervisors.
- States and tribes have ended up with many new contacts. The Region stressed the importance of communications with the external partners about the reorganization, in the interest of minimizing the disruption; senior management got directly involved. As one plus of the reorganization, States now mostly deal with only two senior managers, rather than four, on PPA/PPGs.

STRATEGIC PRIORITIES

This area of study focuses on how well the Regional reorganization has positioned Region VII to carry out the broad, highest-priority areas/themes/goals/guiding principles outlined in the Agency's FY 1995-96 Strategic Plan, for the current and future work of the Agency.

COMMUNITY BASED ENVIRONMENTAL PROTECTION: The Region VII reorganization, as noted above, was focused on the two major divisions addressing the environmental concerns associated with the industrial and agricultural sectors of the Midwestern States. Because of this focus, smaller program initiatives, such as Community Based Environmental Protection (CBEP) and Pollution Prevention (P2), were not major players in the new organizational design. The new overall Regional structure reflects the concerns of senior management, which directed the newly-located divisions and branches to design their own new organizations.

The Region VII CBEP organization resulted from the internal division design process rather than as a feature of the macro changes directed by senior management. CBEP is located within the water program, but structured to function on a multi-media basis. The Region VII CBEP employees expressed concern during the interview that this placement does not succeed in emphasizing the multi-media functions of place-based activities that they consider important to the program. The CBEP program in Region VII is focusing its efforts on working cooperatively with its States on the projects. The Great Plains and the Platte River projects are the primary efforts the CBEP staff is

coordinating. State involvement is considered especially important as both of these projects have multi-state dimensions, rendering them particularly complex.

Although Region VII has not yet reached an allocation of 20% of its resources to CBEP projects, it anticipates that this level is possible in the near term due to senior management's interest in the progress of the projects. The Region outlined their current focus for the program as institutionalizing it rather than immediately attempting to reach a predetermined resource allocation level. The CBEP team expressed its frustration with the number of conflicting messages sent from various EPA Headquarters' offices regarding CBEP's urgency.

POLLUTION PREVENTION: Pollution Prevention in Region VII formerly was a one-person operation in the Waste Management Division. When the Region was reorganizing, the senior managers wanted to integrate P2 into more of the Region's programs. Their initial inclination was to have P2 report to the Deputy Regional Administrator, but ultimately they decided to locate it within the Air, RCRA, and Toxics Division, together with several other voluntary programs focusing on source reduction (climate change, green lights, 33/50) along with three FTEs with a team designation. The P2 meeting participants, when asked, indicated they did not know why P2 was placed in that Division. The Region's operating philosophy of Pollution Prevention is as a line program, rather than as a culture change in how businesses operate. The participants stated that they are having difficulty obtaining broad Regional office involvement in the program; a cross-Regional voluntary committee was set up to help coordinate P2 activities, but the staff has seen little enthusiasm from Regional staff and managers, with the committee meetings being poorly attended. When the Review team looked at the Region VII Multimedia Enforcement Committee, we thought P2 might have an increased chance for success if it were placed in the Regional Administrator's office.

PARTNERSHIP WITH STATES AND TRIBES: In general, States and Tribes were in agreement that there has been a fair amount of disruption in their relationship with the Regional office due to:

- The reorganization's changing around the Regional staff with whom they (and their state colleagues) are used to doing business.
- Region VII staff hesitancy resulting from new jobs in programs with which they had little prior experience.

State Comments: There was agreement from the state officials' comments that the disruption is a situation that should settle down over the short term.

The States were in agreement that the Region had kept them well informed as the reorganization plans developed via meetings and faxed and mailed notices. Relationships have remained good between the senior officials in the States with the Regional senior management; the major disruption has primarily been at the staff level. The State officials had a noticeably mixed response to our questions regarding NEPPS.

One participant indicated that when the Region requested the State's comments on the reorganization, the State purposely declined to comment, as a precedent in maintaining its own State's reorganizing prerogatives without Regional interference. The participant stated that his experience with the Region since their reorganization depended on the extent to which a specific division was reorganized: e.g., his relationship with the water supply program was quickly reestablished, but in the wastewater program, which was more drastically affected, the staff is still learning and not particularly assertive or interested in learning about the environmental situation in his State. He does see the water supply staffer in his State about once a month, which is new and is working well. He provided an example on the lack of Regional responsiveness involving a program delegation application (dating to 1994, before the reorganization), where Region VII never acknowledged receipt of the package, nor gave a good response; he blames this on the reorganization because the new people, he said, do not know the history of transactions or who to work with.

Another State official suggested that he thinks the reasons Region VII reorganized were because of a Headquarters directive, including the need to reduce overall staff supervision to the 1:11 ratio, to move the Region to a cross-media approach, and to provide staff rotations. The official went on to say that he believes that the Region's management is heading in the right direction, and that the reorganization has a good foundation. He expressed some concern regarding at least the short term effect of the reorganization on the ability of the State to implement the Region's priorities in its Memorandum of Agreement. This concern was based on the water program's developing its national priorities without consulting the State; any new manager in the program as a result of the reorganization will likely have little experience and expertise in the program to fully comprehend the State's interests. The participant agreed he moves his staff around as well, but only as needed to ensure program success not to provide his staff educational opportunities. He did indicate that he likes the Region's multi-media approach; previously, with both the state and the Region structured along media programs, his staff needed to be in contact with 12 different people. His needs can now be covered with a good relationship with the Air, RCRA, and Toxics Division. Overall, the state has had a good relationship with Region VII, which continues, and he feels it is too soon to tell whether the reorganization will further improve communications between the two organizations.

The last State participant stated that he thinks Region VII reorganized to change the alignment of the office to base it on programmatic lines instead of bureaucratic lines. The realigned Superfund program is now much like what his State had already done with its own Superfund program, which he sees as a direct improvement resulting from the reorganization. He also sees an improvement in the financial management relationship between the Region and his State. The State has had an open relationship with the Region, and the two staffs are getting reacquainted since the reorganization. This official stated he sees the biggest obstacle as his sense of Regional staff inertia, that the staff is moving slowly in anticipation that life will return to the way it was before the reorganization in a year or so.

Tribal Comments: The team spoke with one Tribal representative from Region VII; the representative said that since he has only been in his position for two years, he does not have enough experience to compare his relationship with the Region before and after the reorganization. He did say that he has not noticed any changes in the relationship during his tenure. He said that although

he is not always able to reach the staff on his first try, he knows his contacts and generally finds that his messages are promptly returned. He would prefer one point of contact rather than the 7 - 9 staff he currently works with. His Tribe has 7 grants (general assistance; radon; wetlands; EJ; solid waste; water 104 (b), 106 and 319; and lead paint) which require his working with the grant specialist for each plus the Regional Tribal Coordinator. He prefers to deal only with the Tribal Coordinator, which would simplify his grants paperwork process. The tribal participant also discussed the differences in the roles of the Federal Government, the States, and the Tribes. He commented that the States have substantial bureaucracies to deal with the Federal Government, but the Tribes do not have the resources to establish such a relationship. The Tribes are very small, which the Federal Government needs to consider in its relationship with the Tribes.

Performance Partnerships: The Review Team asked the State participants questions on the Performance Partnership program during the interviews to get an idea of their confidence in the Regional offices' capacity to negotiate the PPA/PPGs in the context of the reorganizations. Additional opinions on the PPA/PPGs not particularly germane to the reorganizations were also offered which the team is providing as potentially useful information.

One participant stated that his boss is "not thrilled" about the PPGs; he feels that the success of the program in his state depends on the Region's "salesmanship", or convincing the state that the program will enhance progress if they participate.

Another representative likes the concept of Performance Partnerships, but is not sure how they will work for his State. The promise of flexibility is appealing, but since the state has not had onerous oversight from the Region in the past, they do not see any problem's that PPGs will correct. His first concern, ironically, is the very flexibility the PPGs offer could interrupt other state environmental funding. This State's environmental programs are funded by highly sensitive and narrowly calculated user fees, which by law must be spent on those specific uses. The state's ability to determine the programmatic uses of a PPG could, therefore, lead to a conflict with the state legislature. This participant also commented on Regional oversight of his programs; the state has had its programs delegated for 10 - 20 years, with annual audits proving a history of success. Because of their history, they believe the Region should further reduce oversight without delay.

The third representative we spoke with stated that although he likes the idea of the flexibility offered by the Partnerships, and he is currently in discussions with the Regional office for a limited PPG, his personal preference is to move slowly on all new initiatives.

ENFORCEMENT, COMPLIANCE, AND COUNSELING: As noted above, Region VII selected the enforcement option which provides for keeping enforcement capacity distributed among the major program offices; leaving the attorneys in ORC; and creating an Enforcement Coordination Office (ECO). The Region considered creating a consolidated enforcement division, recognizing the importance of keeping enforcement numbers up and considering the small size of the Region. However, like other features of their reorganization, the Region opted for the less dramatic option. The Region also decided to retain the Multimedia Enforcement Committee which was already in place and had been effective. About 65% of the Region's inspectors remain in ESD.

The decision process seemed relatively non-controversial. The programs never wanted the attorneys to be integrated into their offices and there was little interest among the attorneys in reporting to non-lawyers. There was also little talk about creating an enforcement division. Given the history of good coordination and relationships between the programs and attorneys, the decision was made to pretty much keep the structure as before.

- **Enforcement Coordination Office:** The ECO was created to provide more focused coordination with OECA; to coordinate XL; to track MOA commitments; to serve as the EJ program manager; and to be responsible for Federal facility enforcement coordination. The ECO sits in on RC conference calls with OECA. . The ECO has a staff of two full-time staff and one part-time employee.

It is too early to assess the effect of creating the Enforcement Coordination Office. To some of the attorneys, it is unclear what the ECO does, other than to help coordinate multi-media enforcement. There was no indication that the relationship with OECA has become fuller as a result of the creation of the ECO. Implementation of Project XL may be enhanced with the ECO serving as focal point; however, only one project is underway. (CSI is located in the Air, RCRA, and Toxics Division).

One area which deserves attention is enforcement data collection. While the ECO is the focal point for enforcement data, most Air and Water enforcement data is inputted by the States. The quality of this data is suspect. Among the problems with state-reported data is the fact that the Region was unable to get water enforcement targets to the States and that pesticides production data has not been reported for three years in some cases. As a result of these and other factors, data integration is still problematic, making it difficult to respond to inquiries.

- **Multimedia Enforcement Committee:** The Multimedia Enforcement Committee (MMEC) serves as a board of directors in looking at overall enforcement policy. It promotes coordination for enforcement activities as well as good communications. Historically, the MMEC was composed of branch chiefs, ORC representatives, and others. Forty people are now on the Committee, including the DRA, but only about 20 participate in the meetings. The MMEC deals with the Enforcement MOA, but not with budget. The head of the MMEC used to rotate; now it is the ECO. The MMEC performs a variety of functions including planning targeting for the inspectors and preparing a multi-media inspection checklist. There is also a Multimedia Inspection Team.
- **Compliance Assistance:** The Region's compliance assistance activities did not change much as a direct result of the reorganization although the use of a sector approach has enhanced multi-media focus. The integration of compliance tools is taking time. Also, measuring compliance is difficult. However, Region VII has had some success in establishing a multi-media database of non-compliance which is

used by the MMEC, as well as a manual tracking system for negotiated Supplemental Environmental Projects.

- **Office of Regional Counsel:** The reorganization process seems to have produced important results with the Office of Regional Counsel. There was a vigorous process involving staff to enhance the ORC's multi-media capacity and to address historic problems relating to internal communications, the lack of empowerment. As a result of the process, things are apparently running smoother, responsibilities have been clarified, management of ORC is more through a team of senior supervisory and non-supervisory lawyers, and ORC has demonstrated that individual attorneys can successfully work across media areas. Some staff within ORC view having a single level of sign-offs as a big improvement.

ORC has tried to enhance its multi-media capacity and the morale of staff by expanding the areas within which attorneys can work. There is now ample opportunity for attorneys to perform legal work in more than one media area - anyone who wants to, can. There are also ample opportunities to do both counseling and enforcement and that is seen as a good development. Some in ORC believe that it is important that the expert in an enforcement area also be able to draw on that expertise to provide counseling. It was also noted that small Regions need the flexibility. When asked whether there was any conflict between performing enforcement and providing counseling, there were a variety of answers. One attorney claimed she is never an enforcement advocate - that is the program's role. Another sees herself as a prosecutor; she always wants to define her role up front. In employment law, apparent conflicts may arise depending on whether the attorney is acting as an advisor or participating in defensive litigation/adjudication. Notwithstanding the range of these responses, the attorneys in ORC seem to welcome the opportunities to work in a variety of legal areas.

The expert system implemented by the reorganization to reach the 1:11 supervisory ratio seems to be working well in ORC, better than in the program offices. Legal supervisors, especially a new supervisor, relies on the experts. It is a demanding job, however. Experts must make themselves available and it is hard to keep up with their own staff work. By contrast with ORC, in the programs, the former supervisors are poorly treated; even when designated experts, and their roles are poorly understood.

- **Environmental Justice:** Senior management initially deferred a decision where to place the environmental justice coordination function. Eventually senior management decided that EJ should be with the ECO, in part, because the ECO has contacts with all the media programs. This was to address the problem of inconsistent levels of EJ activity among the Divisions. It was a goal of the reorganization to underscore the importance of EJ, and to align the placement of EJ with HQ, by placing it in the DRA's office (i.e., with the ECO). While there seem to be some increased investment by senior management in EJ, it is too early to assess

the results of this placement decision. [Although vacant at the time of the Team's visit to Kansas City, the EJ coordinator position has now been temporarily filled]. It was noted that waste management EJ issues have been lost in the new organization.

REINVENTION PRIORITIES

This section focuses on how well the reorganization has positioned Region VII to achieve the Agency's reinvention goals: Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Design.

PROCESS FOR REORGANIZING: Region VII began its design process by setting up a Reinvention Council to develop the reorganization plan for the Kansas City office. The Council, in consultation with their Regional colleagues, did not solicit ideas for rearranging office levels, but instead focused on asking internal and external customers and partners about their needs. The Council followed up with evaluating optional structures which would potentially meet those needs. Most of their work was accomplished by manual surveys, as the appropriate automated systems were not available. Reinvention guidance issued by Headquarters was deemed helpful, but arrived too late to be of use. The Region did contract with a consultant who provided staff seminars on organizational change, and emphasized the need for a vision to help ensure success.

Ultimately, the Regional Senior Management Team held a consensus meeting and set the macro-organizational framework for the Divisions. The Senior Management Team also made the decisions on the new managers and experts. The driving force for their plan was reaching the 1:11 ratio and optimizing the Region's organization at the same time. Understanding that the Region's main job is working with the States, the senior managers claimed that they worked to implement the reorganization with as little disruption as possible to the Region's relationship with the States and with Headquarters. However, as noted elsewhere, there was some disruption initially, at least, for the States given the substantial turnover in managers and, to a lesser extent, staff.

Regional management, once they determined how the overall Regional structure would change by moving the former branches and sections to new locations, encouraged staff collaboration and "buy-in" to the new reorganization by giving the new organizations the responsibility of designing their own structures.

The Region's senior managers told the Review Team about the effort they made to communicate their reorganization plans to the staff to the point where they felt they had gone "overboard". Their communications consisted of open meetings and constant LAN updates. The Team heard more of a mixed message from the staff, however, on the effectiveness of internal communications regarding the reorganization. By establishing the "Technical Experts" classification, for example, senior

management succeeded in avoiding a potential class of highly-graded detractors, but created confusion by not communicating to the staff how this new group would contribute or function. Although the Team heard a number of other communications complaints, the confusion about the role of the Technical Experts cropped up with some frequency. The States in Region VII were largely complimentary of the effort made by the Regional office to keep them informed of how the reorganization was progressing.

There was a sense expressed by the senior managers that the Regional administrative systems need to be simplified, but that has not yet happened. There was an additional concern expressed by quoting a consultant used during the reorganizing process, who warned the senior managers that people are able to handle only a certain amount of change, and that between the reorganizations and the government shutdown, the Agency might be on "change overload".

The Regional managers continue to get feedback on the reorganization results, and plan to make adjustments where they are necessary; they understand that to be effective, best results will be obtained in a continuously improving organization. The senior managers are investigating methods on how they can measure the success of the Region VII reorganization.

SHARED VISION AND VALUES: Region VII senior management, in a round table discussion with the Team, indicated they had two primary goals they wanted to achieve in reorganizing:

- 1) Avoid any action that would disrupt the relationship with the States, given the importance the Region places on maintaining good Regional-state relations.
- 2) Reduce its supervisor-to-staff ratio to 1:11.

According to the conversations we had with the Region VII staff, they understood the reorganization goals principally to be streamlining, flattening, staff empowerment and customer service along with reaching the 1:11 ratio.

The results of the discussions in the Regional office all indicate these goals as the primary focus of the reorganization, with the intended result that the Region would function more effectively. The parallel discussions with the Region VII States affirmed that the Region worked hard to both keep them informed of their reorganization progress and to provide the opportunity to comment or make suggestions; the States also pointed out that although they appreciated the information, they generally declined to comment as they considered the process best maintained an internal Regional concern.

CUSTOMER FOCUS: Customer focus, both internal and external, was clearly one of the goals of the reorganization, especially at the divisional level. This was cited favorably in discussions about the human resources functions. It should be noted, however, that Region VII's Headquarters "customers" identified a serious concern about the elimination of the Human Resources Officer position. The functions are now shared by two individuals. The Region did not, apparently, work closely with Headquarters on this issue and it remains unresolved.

The reorganization of ESD was driven, in large part, by and with the input of internal customers, apparently with positive results. However, we also heard that little attention has been paid to the explaining how to improve customer focus in ways other than changing structures. For example, there is apparently no common definition of customer service.

DIVERSITY: The internal process included a requirement for each Regional organization to develop its own diversity plans. Although the reorganization resulted in an increase in the percentage of women in the management ranks, any further improvement in diversity was affected by the Agency's overall budget uncertainty including the threat of RIFs, the hiring and promotion freeze, and the government shutdown. Senior management solicited applications for the new management positions, allowing staff down to the GS-13 level to apply, with the plan of boosting the Region's management diversity.

ORGANIZATIONAL DESIGN: As noted above, the Region selected a structure which was based in large part on a sector approach, consolidating major programs by their relevance to industrial or agricultural environmental issues. The Air, RCRA, Toxics and P2 programs were combined (industrial sector) and Water, Wetlands, Pesticides, NEPA and CBEP programs became a single division (agricultural focus). The Team considers this an interesting organizational approach. However, even if the experiment proves useful in Region VII (it is too soon to tell), other Regions would have to compare the size and geography of Region VII to their own Region before adopting a similar approach. One Headquarters office responsible for a major program was complimentary about how that program was being managed as a result of the reorganization; but two HQ offices were very concerned about the breaking up of small programs under the reorganization.

Region VII also combined the removal and remedial programs into a single Superfund Division. This move got generally favorable reviews, including by Headquarters. ESD was partially redesigned, with help from a major internal customer outreach effort. ESD now has responsibility for the lab, field inspections, the GIS function, and QA/QC. There was some evidence of improved coordination and better integration of ESD and program activities, presumably as a result of the customer focus, in part. This situation should continue to improve when ESD is collocated with the Region in the future.

The Region met the requirement to achieve 1:11 by eliminating a layer of supervision. Where the Region initially had a division/branch/section structure, there is now a division plus an additional level, not necessarily identified as a branch. In the final analysis, senior management was fairly stable although some executives took on new responsibilities. However, most first line supervisors ended up with jobs which were significantly different than prior to reorganization (see below).

The Team did not identify significant organizational innovations designed to improve flexibility to handle new directions in environmental protection. In fact, there we heard some concerns about the placement of two functions which fit into that category, i.e., the CBEP and P2 programs. However, the Region has emphasized the promotion of multi-media capacity by shifting the jobs of most managers and it has stressed the importance of teams in addressing cross-cutting issues.

However, the Regional staff had a fairly strong reaction to the senior management expectation that teams would comprise a major feature of the Regional structure. In a staff session, a sense was expressed that Regional management had made an incorrect assumption that everyone would know how to use teams, but that the concept is overworked and was given no structure. The Region did make an effort to plan and develop team training before and during the reorganization. Nevertheless, according to at least some staff members, many team management issues have not been settled, including: the role of team leaders; when a team leader is needed or not; and what a team leader's authority is, or should be. [We understand that since the Review Team's visit, Region VII has undertaken extensive team training for managers and staff].

NEW WAYS OF OPERATING: The requirement to move to a 1:11 supervisory ratio was the initiator and one of the principal drivers of the reorganization. Management and staff all understood this, although some staff members commented that senior management never communicated good reasons for going to 1:11 nor the potential benefits. To reach the 1:11 supervisory ratio, the Region needed to reduce the number of managers/supervisors by half. This was accomplished by eliminating a layer of supervision and opening the remaining supervisory positions to Region-wide competition. Senior management tried to select the individuals with the best managerial skills.

While it is too soon to draw firm conclusions, the move to 1:11 in Region VII is generally viewed as positive. This is a surprising conclusion, given the negative feelings many other Regions and Headquarters offices have expressed about 1:11. Some staff believe the reorganization to be a "great experiment in empowerment;" there seems to be a willingness to give it a chance.

Having heard some positive things about 1:11 and empowerment, there are still a number of remaining issues and reservations. Some units have a ratio of 1:17 or even 1:35; it is difficult to get a manager's attention in such situations. Staff recognized that there is great pressure on the new managers and the risk of supervisory burn-out seems high. This is especially true when supervisors have trouble letting go of detailed control and when supervisors are expected to have detailed command of technical areas. The opportunity for empowerment is also received by different staff members with varying degrees of enthusiasm; some appear to just not be ready to take responsibility. Also, empowerment does not work as effectively when both supervisors and staff are mostly new to the area. There seems to be concern about lack of clarity about the "rules" for empowerment, e.g., what are the penalties for making mistakes?

Participants in our sessions identified some lessons learned about all of this and suggested things the Region could still do to remedy continuing problems. First, more could have been done, and still can be done, to change the way people think about supervision. In particular, supervisors need to be allowed not to be technical experts, but rather to be mentors and managers. Second, the span of control for some units could be adjusted to get closer to 1:11. Third, an improved performance management system could be more realistic about how much managers can be expected to know about the work of their staffs. Finally, easy access to a consultant might have avoided some problems.

Region VII recognized that their employees holding managerial positions who would be losing that designation had technical strengths, other than management, which the Region needed to seize upon.

Former managers were typically reassigned to a new job classification identified as "Technical Expert", without loss in grade. The Region thereby used the dual career track concept effectively.

These experts are expected to be available to assist all Regional staff with difficult and technical problems that occur. The role of the technical expert is inconsistently understood throughout the Region. For example, in ORC, the experts are often recognized as major contributors and it is understood that their jobs are particularly difficult, i.e., being available to help others while doing their own staff work. In other parts of the Region, however, the role of the experts is not well understood; some staff members even claim to not have heard of the experts systems. Apparently, some experts feel poorly treated; this is a major factor explaining low morale in parts of the Region.

Overall, it is not yet clear to the Regional staff how they will work with the new technical experts. It does appear that the Region has at least partly succeeded in finessing one of the most problematic results in all of the Regions of reducing to the 1:11 ratio. Not only were the former managers not simply renamed as "team leaders", preventing resulting shadow organizations to their former responsibilities, but they filed no formal grievances. The union participated throughout the process and was in basic agreement with the action.

As noted above, there was a conscious effort to move the remaining managers and supervisors into different jobs. This was done partly in the name of increasing cross-media experience, a positive goal. However, the Team heard from a variety of sources that the wholesale movement of managers caused significant and at least temporary loss of progress. For example, representatives of the States in Region VII complained about the disruption caused by there being so many new contacts in the Region. They did express the hope that the interruptions in effective communication would diminish over time.

Staff were also given the opportunity to change jobs, which was implemented by asking them to express their job preferences. Many staff took advantage of the opportunity to change jobs as well. This cross-divisional movement by staff and managers has resulted in a steep learning curve that will take some time to settle down. Arguably, the high degree of movement among both managers and staff has impeded progress toward true empowerment.

ACCOUNTABILITY AND INTEGRITY

This section focuses on how well the reorganization has positioned Region VII to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations and central agency guidance.

RESOURCES AND MANAGEMENT INTEGRITY: Resource management processes in Region VII changed very little as a result of the reorganization. As a result, it appeared that accounting for budgetary resources was not much more difficult than under the previous organization. It is interesting to note, however, that the Region has eliminated the Comptroller position. Primarily, the new organization set up identifiable points of contact for the major divisions to work with on their administrative needs. Monthly meetings that were initiated between these groups to enable them to build a working relationship, instead resulted in this meeting group functioning as a resource management team addressing the broad resource questions of the Region, rather than only on division level needs. Additionally, an individual was assigned to focus on the administrative requirements of the Performance Partnership Grants, which has allowed the Region's grants management function more time to link with other Agency work. Assigning this "expert" the responsibility for PPGs seems to have established a working level confidence with the States, which resulted in their increased interest in the PPG program with which they previously had been reluctant to get involved.

Prior to the reorganization, the internal Regional delegations of authority were reviewed and understood to be at the lowest level of authority that senior management was comfortable with. Upon completion of the reorganization, the delegations were reviewed again for appropriateness.

At the time of the visit, the Team noted that the supervisor of the Administrative Management Branch (AMBR) was directly managing contracts, grants, and finance, a total of thirty-three people. Our concern about an excessive span of control, however, was mitigated to some degree by some novel approaches for focusing her attention on areas she thought were most vulnerable. An example of this was setting up a peer review system under which staff members reviewed each other's work.

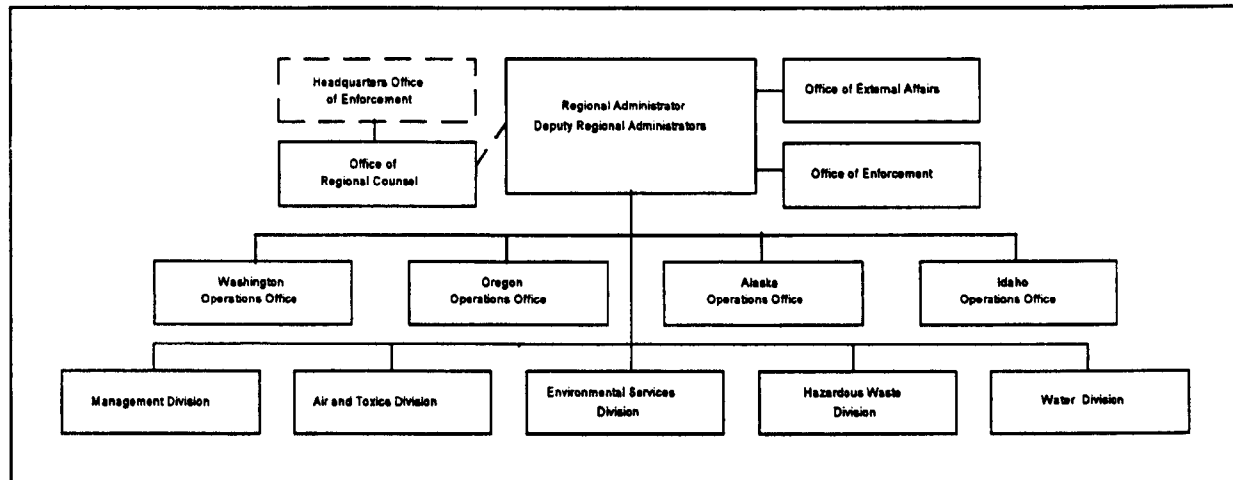
APPENDIX 2c

Region X, Seattle, WA

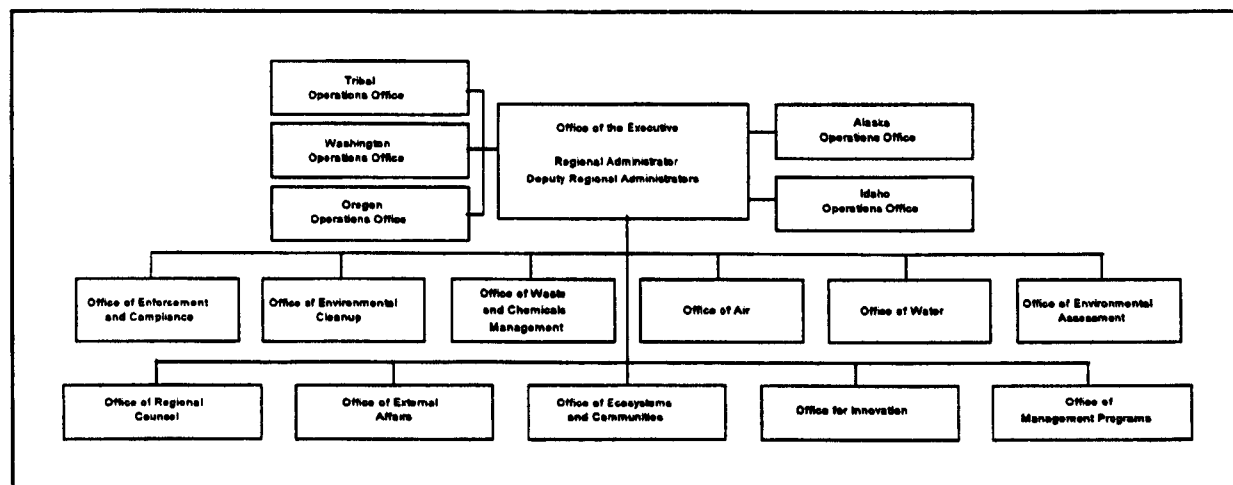
REGION-SPECIFIC OBSERVATIONS

Site Visit: September 9-10, 1996

Organizational Structure Prior to October 1, 1995



Current Organizational Structure



BRIEF DESCRIPTION OF THE REORGANIZATION, and STATED INTENTIONS AND DRIVERS

The Region X reorganization retained a traditional Regional arrangement for media-based components and created three new components, each designed to coordinate and integrate a particular function: ecosystems and communities; innovation; and enforcement and compliance.

The retention of the traditional media programs and single-point of contact managers in each of four separate Offices (Air, Water, Waste and Chemicals, and Environmental Cleanup) maintains the existing relationships with HQ and some other Regional programs.

Establishing two new offices, all primarily integrative in function and all directly responsive to reinvention goals is a unique feature of this Region's approach.

- **Office of Ecosystems and Communities (OSC):** Charged with the specific purpose of implementing a "strategy ...for supporting ecosystem, geographic, and place-based projects" like the Forest and Salmon Projects.
- **Office for Innovation (OI):** Advocates and supports others in exploring alternatives for improved environmental results. This Office also looks for opportunities to do existing work better and more efficiently. It is the home for many cross cutting programs such as pollution prevention, sustainable communities, environmental justice, and other reinvention programs like Project XL. The Organizational Effectiveness Team in OI exists to carry forward the work of the Region's organizational change project.

Office of Enforcement and Compliance (OEC): In choosing enforcement Option 2, the Region essentially retained what it had before the reorganization. The Region had the equivalent of Option 2, but with a few more functions.

The Office of Environmental Assessment (OEA) keeps in place all former ESD functions. As a result of the reorganization, there is increased emphasis on "assessing the condition of the environment" by placing responsibility for environmental indicators in OEA.

Finally, the Office of the Executive, headed by the RA, gathers functions considered critical to the Region and gives them high visibility, including four ARAs — one for each state — and a Tribal Operations staff.

STRATEGIC PRIORITIES

This area of study focuses on how well the Regional reorganization has positioned Region X to carry out the broad, highest-priority areas/themes/goals/guiding principles outlined in EPA's FY 1995-96 Strategic Plan, for the current and future work of the Agency.

COMMUNITY BASED ENVIRONMENTAL PROTECTION: Region X's community-based program has been renamed "Geographic Based Environmental Projects" (GBEP), and is located within the Office of Ecosystems and Communities. Some frustration was expressed with what seems to be a continued focus on water programs, since the assigned staff mostly originated in the water program, and defer to their program bias. In the discussion, it was clear that reorganization intent for GBEP was for it to be a multi-media program. The staff discussion about the multi-media prospects for GBEP turned decidedly more optimistic when a reference was made to an Ad Hoc group they called "SWIF". SWIF - the Superfund Water Integration Forum - came about when a longstanding watershed TMDL problem prompted coordination with Superfund. The Forum was staff-created to coordinate the Superfund and watershed issues on a geographic basis. The GBEP people identified with their seemingly accidental model to understand how the program would function. Some of the struggle with clarifying the multi-media nature of GBEP may also be located in the reorganization establishment of the Office of Ecosystems, and the sifting out of the appropriate responsibility division between the Office and GBEP. The staff also was clear that although they like the Agency focus on geographic projects, they feel strongly that there is a time and place for EPA's media specific programs and goals.

The Region set up a focus group with local governments to obtain a better understanding of how they perceived this geographic program, and found the locals largely enthusiastic. Alternatively, however, the potential Federal-local government partnership apparently created concern and skepticism in the States, who indicated that they preferred that EPA work through them. Additionally, the tribes want EPA participation on the geographic projects, as they are less trustful of the States.

During this session, there was a lengthy discussion regarding the significant barrier that travel represents for the GBEP staff in working on geographic projects. The Western States are large and modestly populated with cities and the vast number of rural communities a long way away from each other. The discussion was not about increases in travel allocations, but instead about addressing bureaucratic barriers that prevent them from riding in state vehicles (perceived as potential conflict of interest) and Regional resistance to issuing blanket travel orders which would allow staff to use private autos to drive outside a 50-mile radius from their duty stations. No such "discretionary" travel is possible at a time travel demands are higher because of the increased focus on GBEP. A last question from the group was "If EPA is truly committed to community based environmental protection, why is 50% of the staff working in Washington, D.C.?"

POLLUTION PREVENTION: Region X placed the Pollution Prevention (P2) function in the new Office for Innovation as a result of the reorganization. The Region considered it important that P2 not be placed in a program as a way to emphasize the cross-cutting nature of P2. Placing P2 in any one program would tend to identify it with that specific program; the intent is that eventually the perception that P2 as a program will wither, and the concept will be absorbed as an important environmental tool by the various media programs. The placement of P2 in the Office for Innovation seems to be working well, and there appears to be increased interest in getting P2 better integrated into the Region's programs.

PARTNERSHIPS: Region X, uniquely, has had a significant number of Regional staff located on site in each of its States almost since the Regional office was created. The reorganization, focusing on community-based projects, has set up several place-based personnel in important locations in addition to the State Operations Offices already in existence.

The Team's interview with the Region X States (Alaska, Idaho, Oregon and Washington) was conducted in a single conference call, rather than a series of calls with each of the States. The group call was a dynamic conversation with the State participants, with a lively sense of their common agreements and disagreements about the direction taken by the Region X office.

The State officials were quite clear about how the Region X affected their activities. One expressed concern that the complete change in Regional personnel in the Air and Water programs has created confusion in the State, and made its work more difficult. His associated concern is that presumably due to the high transaction cost the Region will absorb, Region X may not be able to provide the support the States need, especially those with complicated projects. He also indicated that there has been a noticeable slowing in the Region's responsiveness; pressing "0" in voicemail frequently does not get you a staff member to provide assistance. This same official stated that the slow response presents a problem for him since at times he needs a quick turnaround, especially when he and his staff are working with the State Legislature.

Another state official stated that the Region X Operations Offices, those located in each of the States, are an essential asset, and he is pleased that they remain an integral piece of the Region's reorganization. He finds the EPA staff employed locally in his State to be much easier to work with and more knowledgeable about his programs and people than those in the Regional office. One State official, however, is concerned about the Region X Operations Office in his state which, he says, appears to have dwindled in resources to the point where they cannot handle business. The roles of the Regional staff in the state offices seem confused; and need to be more functional on serious issues in the state such as mining and pesticides. An adequate travel budget for the Operations staff is essential to enable them to visit the sites where the local problems are. This State has some of the largest mines in the world, and EPA employees need to be able to travel there to see and experience them in person. The staff suffers something of a credibility problem in the State when they are asked if they have actually seen the problems they are talking about and have not. Travel in one of the Region X States is extra-critical since the state is so big, and one can really only get around by flying.

Two of the State officials agreed that Region X did a good job of keeping them informed as their reorganization plans developed. The reorganization presented problems in distracting the Region's attention from environmental work for several months while being implemented, but the situation has recently improved. One State official agreed that he had a lot of communication, and said that he has a good relationship with the Operations staff. One result of the reorganization is that the Operations staffs located in the States now report to Seattle program offices instead of a local office manager. Another State official has noticed quicker responses to program-related questions due to this reporting change, although there also has been some loss of project-level focus.

We talked with representatives from Tribes in Alaska, Idaho and Washington. They were at least vaguely aware of the reorganization and some of its attributes, but were largely bystanders. They learned about the reorganization from their contacts in the State Operations Offices. They felt well informed of the establishment of the Tribal Operations Office within the Office of the Regional Administrator, an important symbolic location for them. The reprioritization of Indian programs in the Region was more important to them than the reorganization itself.

The Tribal Operations Office itself is managed by two co-leads, both named Kathy, which the Tribal officials found very confusing. They also find the contact points in Region X to be confusing and are not sure if they should work with the Tribal Coordinator or the program. They would like to feel free to work directly with the programs, however, they do not have those relationships established, and feel like the program staff generally does not know how to work with the tribes. This results in them working with the Tribal Coordinator. They see the Region X staff generally as not understanding the Tribes, and relying on the Tribal Operations Office to resolve problems. They believe the Regional staff could benefit from training to ensure across-the-board awareness of tribal issues. The tribal representatives emphasized that their staff relationships are very important; moving Regional staff around upsets those relationships and requires them to spend scarce time and energy to begin a new education process with the staff replacements. They emphasized, again, that it is essential that the Region maintain a level of service, otherwise there is inconsistency and loss of credibility.

The Tribal officials we spoke with feel that The Tribal Operations Office is providing pretty consistent service, which is less consistent in the rest of the Region. At the time of the interview, the tribal representatives did not have a current phone numbers for their contacts. Overall, they indicated that they saw little change in the Region to justify the amount of gridlock they experienced during the reorganization. They saw a lot of inefficiency due to moving around so many managers, with a steep learning curve for the staff that will prevent a speedy education on Indian programs.

- **Performance Partnerships** One State official stated that he and his staff are having a difficult time with their PPA. Their PPA was negotiated based on last year's funding, but EPA support for their programs is not there, either Regionally or nationally. The State is expecting grant reductions of about \$750,000, but EPA is not removing things from the PPA as needed to help the State absorb those cuts. Another State official stated that Region X management has been very supportive

of their PPA, but the support tends to evaporate at the program level, such as Clean Water Act Section 319. This person sees the Regional staff as afraid of potential Inspector General findings; so with the staff so risk averse, it seems clear that the hurdles to changing the way the Agency does business with the PPAs have not really been removed. He also finds the PPA process as far more painful than the previous State/EPA Agreement process; the PPA is astronomically time-consuming. However, the States generally indicated that they see the PPA process overall to have been beneficial, as it bonded the State's programs together. They do not think Region X got the same benefit.

One State official commented that the Region X staff seems to be in need of a "paradigm shift", as they continue to micro-manage the State's achievement of its objectives, and use the IG as their scapegoat to justify their approach. An official from another State said that the Agency needs a clear definition of flexibility. He has heard the Administrator and the Associate Administrator, OROSLR, talk about the flexibility in the Performance Partnership program, but finds the PPAs to be less flexible than the program grants were before. EPA needs to consider that "one size does not fit all": that the eastern States have larger populations and tax bases, and are working on more sophisticated programs than the Western States, which are still working on the basics.

- **Tribal Environmental Agreements (TEAs):** There was a varied response from the tribes on the TEAs. One Tribal official sees them as being positive and effective in ensuring a governmental relationship, but another official said he did not think the TEAs accomplished anything beyond current policy that required signing an agreement over. He would like to see EPA prove it will implement Indian policy, and that he is holding the Agency accountable for what is already signed. One representative suggested that he would like to see the EPA programs on the same cycle. He still has not heard about the Environmental Education grants; and it would be useful to hear about all the programs at the same time. He wants Region X to push the block grant concept.

ENFORCEMENT, COMPLIANCE, COUNSELING AND ENVIRONMENTAL JUSTICE: Region X choose Enforcement Option 2 when reorganizing, maintaining an enforcement coordination office and discrete enforcement units within the program offices. In the Air Office, the enforcement function is further split among several units. The Office of Enforcement and Compliance Coordination is responsible for coordinating multi-media enforcement activities, tracking enforcement measures, negotiating MOA's with HQ. It is currently staffed with 5 employees, and includes an enforcement strategic planner and Federal facilities program oversight as well. Enforcement does not seem to be one of the driving forces behind the Region's reorganization. In fact, some employees believed that the first reorganization proposal did not include an enforcement office.

We heard numerous times that Regional leadership has given no clear and consistent message about the priority and role of enforcement in the Region. This lack of clarity has created major confusion

among staff. There are many who believe that the Region has disinvested in enforcement, and the number of FTE devoted to enforcement has been reduced since the reorganization. This belief was echoed by a headquarters concern that resources are incrementally shifting from enforcement to new program initiatives over time, and a concern that the Agency will not be able to explain this to Congress.

The Region feels that they are making improvements in compliance to reduce non-compliance and to improve environmental results. However, OECA's data collection and measurement systems do not track these results, and therefore do not tell the Region's compliance and enforcement success stories.

The Region is also experiencing conflict between enforcement and compliance assurance. Often the inspectors see a problem as a violation, while the technical staff disagree. This may be the cause of inconsistencies in enforcement practices, which are causing problems and confusion with the States, and distrust among the regulated community. We also heard that Regional managers might be inclined to not focus on enforcement in order to meet the Region's goal of improved partnerships with the States.

Counseling: ORC resources, like enforcement resources in the programs, have been siphoned off by new initiatives. Since the reorganization, ORC perceives that resources have been devoted to fund initiatives, such as the Office for Innovation. At the same time these resources are declining, the need for counseling resources is increasing. The ORC attorneys, since they maintained their program expertise, are seen as a foundation of program knowledge for those programs who lost expertise during the people placement process, and spend a great amount of time training new program staff. This Region currently has the lowest attorney to client ratio of any Region.

Environmental Justice: The environmental justice program is located in the Office for Innovation as part of the Region's intent to integrate this program into the major program offices in the long term. Although we heard that there is a current focus primarily on large facilities, the program has outreach efforts and EJ grants which target many small and rural communities, including some tribes.

REINVENTION PRIORITIES

*This section focuses on how well the reorganization has positioned Region X to achieve the Agency's reinvention goals: **Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Design.***

Before reorganizing, the Region began by defining its core work processes. It then designed an organization to best address them. It was also driven by the need to achieve a supervisory-staff ratio of 1:1.1, and the Regional Administrator felt it was time to look at the role of the Regional Office, given the changes occurring externally - with the States in particular. The Region does have a strong espoused value of partnership with the States and tribes, which is evident through the assignment of four State ARAs and two Tribal Office staff within the Office of the Regional Administrator.

The Region also sought to broaden its existing areas of excellence, especially a strong program of community relations that it had developed in the Superfund program and wanted to extend Region-wide. The Community Relations and Outreach Unit was created in the Office of Ecosystems to extend the type of support the Superfund program enjoyed to the entire Region. Region X also created an Outreach Forum, a cross-organizational group tasked with finding and coordinating on meaningful ways to work with and educate external customers.

Although the Regional managers and staff clearly understood these drivers, there was no clearly articulated shared vision expressed and heard during our visit.

The Region also used the reorganization to increase diversity in the supervisory ranks, adding 8 new supervisors, and articulated this goal for the Executive Team as well.

- **Processes for Reorganizing** In January 1995, the Region formed an Organization Design Team of about 15 cross-organizational staff. Assisted by an organizational change consultant, the ODT examined the key functions, and "value added activities". It then determined the Region's core processes through feedback from surveys of customers and employees, a business inventory, strategic plan and a Regional vision. Using these core processes, "the important categories of work that produce desired environmental results", it designed an organizational structure that incorporated these with other reinvention goals. To make this design a reality, the Region designated an Implementation Team to look at various activities associated with implementing the reorganization, an Infrastructure Team to manage the logistics of moving people and computers to be in alignment with the new structure, and a People Placement Team to move people into new jobs.

We received consistent feedback that the Region was very open in communications and that senior managers were honestly interested in feedback about the organizational proposals during the process. The RA personally received and read more than 400 LAN messages from employees about the reorganization. The reorganization teams held panels, open houses, and scheduled one-on-one feedback sessions to inform, educate, and hear feedback from staff on the proposals and final design. They held training on change and transitions, held career management sessions for supervisors who were making choices about the future jobs, and have continued to ask the organizational change consultant (an intermittent EPA employee) for on-going professional assistance in the transition.

The infrastructure issues were underestimated by the Region initially. It recognizes now that it should have been more clear about the time these activities would take, the disruption they would cause, and the impact that these activities would have on the on-going business activities. The logistical costs associated with establishing place-based offices were astronomical and unanticipated by Regional management.

- **“Assignments, Not Positions:”** This motto was adopted by the People Placement Process Team to create in staff a new paradigm of looking not at what position one holds, but at what assignment you have at any point in time. The stated intention is to rotate almost all senior staff and managers every three to six years.

The Process was designed to first reduce the number of managers and assign these managers into the new Unit Manager positions or into other senior non-supervisory positions. Each existing manager had the choice to design their own assignment in the new organization, or to identify 3 positions from an identified list of Unit Managers and other identified senior positions and apply for them. Once the Unit Manager jobs were filled, any eligible staff person could compete for the remaining positions. The existing supervisors could also compete for the Executive Team positions.

The announcement of the September 30, 1995, deadline created a urgency that forced the process to be conducted more quickly than some desired, although we heard that this may have been positive in that it kept things moving. One drawback of the deadline is that the placement process for staff was very rushed, with some employees only having 24 hours to make a significant career decision.

As mentioned previously, the Region intends to rotate some of the managers and senior staff employees every three years. Given the experiences we heard about the impact of losing senior employee program expertise and the increased production costs associated with many people learning new programs, that process should be carefully planned and managed so as to make sure the Region maintains program expertise and continuity within each program.

The Regional commitment to continuous improvement is clearly demonstrated. The Office for Innovation is sponsoring a mid-course assessment of the reorganization in keeping with the intent to periodically evaluate the major areas they invest in and identify any mid-course corrections. This process had just begun at the time of our visit. The Region has selected members of the assessment team specifically not to include anyone who was part of the original design and reorganization process to ensure objectivity and reflect a cross section of the organization. The Office for Innovation is also working to develop long term measures of success for the Region's organizational change process through a Workgroup called the “Organizational Change Progress Indicators Project.”

- **Organizational Design:** In designing the organization to meet the reduced supervisory ratio, the Region chose to eliminate the Branch Chief level, and now has just one layer of supervisors (Unit Managers) below the Executive Team. Getting to 1:11 has in effect meant the creation of organizations of 1:20 or 1:25 in most cases. They have a strong structural support for customer service, being the only Region to have operations offices located in each State, and added several place-based staff in other locations throughout the Region during the reorganization. They organized around their core processes, and are apparently working on 3-4 process redesign activities right now.

Regional leadership's intent is for this organizational structure to be flexible and dynamic to adjust to new initiatives as they come along. The Office for Innovation seems to be an excellent structure to support that goal, providing a fertile ground for new programs to be fleshed out and then integrated if appropriate into the program organizations. Although the changes created by the transition and the movement of staff into different program areas created higher transaction costs in the short term, they expect higher efficiency and increased program effectiveness in the long term.

- **New Ways of Operating and Redefined Relationships** The Region is also committed to managing change effectively and developing that capacity. The Office for Innovation includes an Organizational Effectiveness Team which has a network of internal and external consultants available to assist in the continuing change efforts.

As many of the Regions have found, the impact of the move to 1:11 has been substantial. Larger spans of control require an emphasis on empowerment, and the Region is still working to define a common definition of empowerment and then build managers' skills in coaching to support this new way of doing business. The Region has developed a good Decision-Making Model to assist in the definition of empowerment. They have also developed a statement of belief that "every employee is a leader" to encourage staff to take on more of a leadership role and accountability for the work they do.

The shift of employees and supervisors into new program areas means that employees are at very different readiness levels for taking on empowerment as well. Supervisors are so stretched that they are unable to spend enough time working with employees, which is fine for those employees who stayed in familiar program areas, but very difficult for those in new programs. The Unit Managers are having a difficult time trying to balance the policy work and coordination with HQ that was previously done by Branch Chiefs in addition to the "care and feeding of staff" and the front line production work of first level supervisors.

The Executive Team has made great investment in working together as an effective team. They have built their skills in teamwork, and have worked collaboratively on resolving many of the issues that have resulted from this new organization.

However, the staff and Unit Managers see a widening gap between the Executive Team and the rest of the organization, and are concerned that they are doing more policy development work than they see as appropriate at that level. It was suggested that they may need to reach out more into the organization so as not to become too isolated and out of touch. One skill area identified by the Executive Team to develop is to better target disinvestments as the new programs and priorities continue to increase.

Many of the former supervisors are currently in non-supervisory program management positions. These positions have functional responsibility to work with many others in the Region, yet they have no positional authority to direct the tasks of others. We heard that matrix management is a cornerstone to the new organization's success, however, there is confusion on how to operate in this structure effectively. The Organizational Effectiveness Team has tools to assist with that learning, yet they are not taken advantage of consistently.

Another concern raised about the senior positions is a resentment on the part of lower graded staff that these positions have created a cap on any career growth, and that the senior technical employees now have the "plum" assignments and projects. On the other hand, there is also a sense on the part of some staff that those employees are not performing up to grade level and that some of these jobs are "make work" positions.

Although the Region is making progress in moving to a more team-based organization, the process is slow and deliberate. As one person said "it is hard to impose our old timetable for accomplishing things on this new way of doing business." The Region has demonstrated a resource commitment to teams. They have created a teaming cadre which works to train and consult with teams, and are investing up-front in design work to form or reform teams in a purposeful and intentioned manner. The Organizational Effectiveness Team also provides conflict management and facilitation support to teams. However, even with this support there is still cynicism and a lack of a clear definition of teams in the Region.

ACCOUNTABILITY AND INTEGRITY

This section focuses on how well the reorganization has positioned Region X to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations and central agency guidance.

RESOURCE AND MANAGEMENT INTEGRITY: Resource Focusing was identified by Region X as one core process during the analysis of core processes in the early stages of reorganization planning. In doing so, they intend to emphasize more conscious resource and accountability choices to program direction in the future, and intend to increase the focus on accountability in the organization, starting with the RA. FMFIA leadership also resides in the Resource Focusing function which should be a good fit with the increased focus on accountability. This focus will be similar to the new PBA function in HQ, which should provide good linkage for those functions. They have designated one of the Region's priority hires for the PBA/Resource Focusing activity. This is one area that shows great promise for the Region.

In the reorganization effort, the Region has made some improvements in accountability for specific financial programs. They have made system changes in the grants process so that Office Directors and Unit Managers are more visibly accountable in the sign-off process.

The reorganization also had impacts on the structure of the budget, finance and grants functions, which were previously all located within the Comptroller's Office. The Comptroller position was eliminated in the reorganization. Now, budget and finance functions are located within the Finance Unit, and Grants is a separate Unit, both reporting directly to the ARA.

Although not directly attributable to the reorganization, the Finance Unit has operated down 30% in staff this year, and the stress is starting to show. There is an apparent fierce level of pride within the staff, they demonstrate good quality control and use the core financial measures to assess their processes. However the lack of staff may be attributing to some quality issues, and little focus on planning ahead and analysis.

Due to the highly unusual budget year, it is difficult to assess the other impacts. Most reorganization-based concerns are seemingly minor and will be worked out with time. Because there are several more units created by the changes, the Region has added 5 new responsibility centers (RCs). This has created a need to spend more time training new staff in both budget and finance program operations. Also, due to the change in reporting relationships with the Operations Offices, and the new place-based staff, time cards must be shuffled in Seattle to get them to the proper RC.

PROGRAM ACCOUNTABILITY: Region X seems to be managing the charging of multi-media program efforts to the correct program elements well. They make use of multiple FANs when appropriate, and feel that they are more aligned with the approach that the IG has championed in reviews of other Regions than most Regions. Multi-media work is mostly accomplished by having multiple people - who are usually each a media specialist - on a team. Contract dollars are clearly traceable to program accounts and they reprogram funds to BJ1 accounts when work is truly multi-media in nature.

An inherent difficulty created by the reorganization relates to the tracking of costs for the Operations Offices. The accounting set-up makes it nearly impossible to pull actual costs due to staff reporting to different programs in Seattle. More than one RC may be supporting an individual - e.g., program funds for salaries, operations office funds for travel and other expenses.

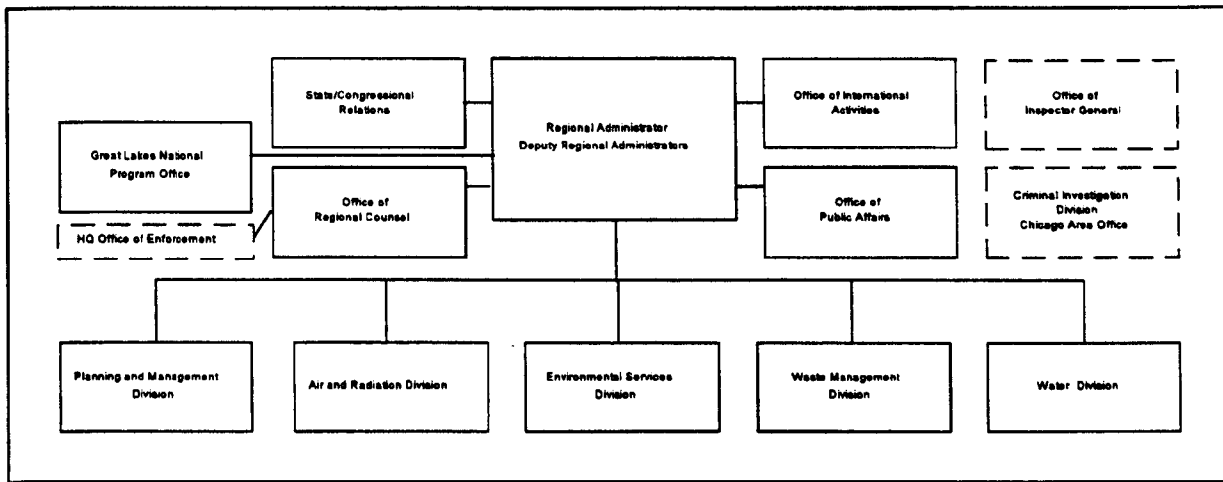
Headquarters program office concerns about locating program specific resources should be minimized due to the “hybrid” approach Region X took. Since there are media specific programs within the Region in addition to the more multi-media programs, the cross-walk for resources should be less complex.

APPENDIX 2d

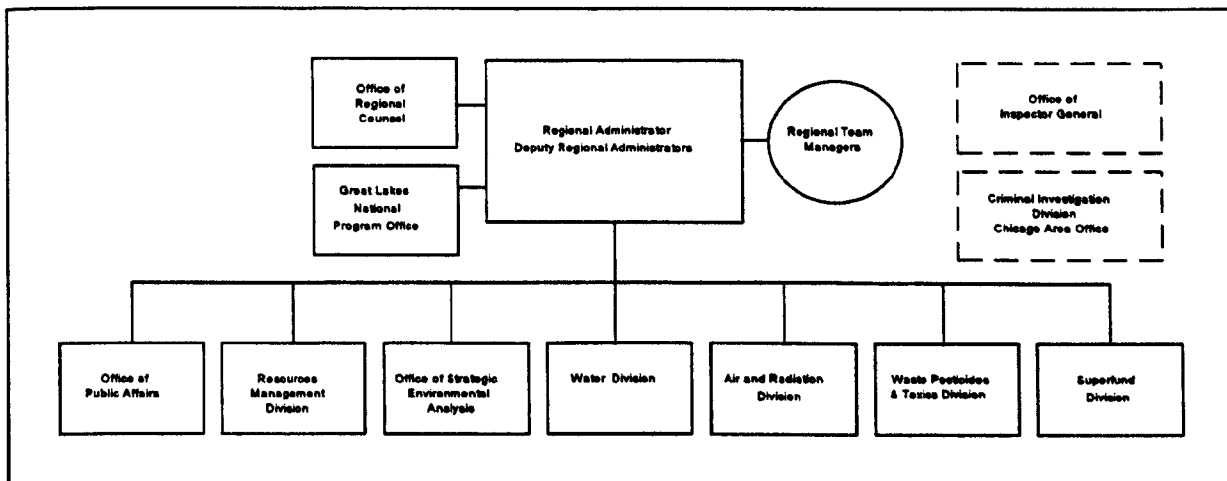
Region V, Chicago, IL
REGION-SPECIFIC OBSERVATIONS

Site Visit: September 17-19, 1996

Organizational Structure Prior to October 1, 1995



Current Organizational Structure



BRIEF DESCRIPTION OF THE REORGANIZATION, and STATED INTENTIONS AND DRIVERS

Region V retained a media-based structure in its reorganization. The primary driver or intention was to maintain consistency with the Headquarters Offices. The other significant factors or drivers were to meet the 1:11 supervisor/staff ratio and to address enforcement per the Administrator's guidance.

The reorganization made a number of shifts/changes/modifications in terms of how media and programs were arranged. The most significant changes include the following:

- Eliminated the Planning and Management Division (PMD) and created the Resources Management Division (RMD), which incorporates most of the existing PMD functions.
- Eliminated Environmental Services Division (ESD) no longer exists. All of the ESD's functions are incorporated into other Divisions or Offices. RMD specifically incorporates ESD's Central Regional Laboratory, the Cleveland field office, and "core" quality assurance monitoring and inspection functions. The project-level QA functions are incorporated into each of the media divisions.
- Waste Management Division was separated into two Divisions: Superfund Division and Waste, Pesticides, and Toxics Division.
- The reorganized Air and Radiation Division has enforcement responsibilities and incorporates additional inspection and monitoring functions from ESD. The Enforcement Branch has responsibility for all media and multimedia enforcement and compliance functions.
- The Water Division structure flattens the organization by eliminating two layers. Most of the Division's enforcement functions are consolidated in the Enforcement and Compliance Assurance Branch.
- The Office of Regional Counsel's (ORC) new structure realigns ORC into two multimedia branches and eight sections.
- Since media-based Divisions were continued, the Region was able to maintain the integrity of small programs by keeping them intact within the new structure.

Region V created new organizations that report directly to the Region's senior management. These include:

- The Office of Strategic Environmental Analysis (OSEA) serves the Region's Senior Leadership Team (SLT) by providing information, analysis, and a wide range of strategic planning support including risk assessment, peer review, development of

environmental goals and indicators, and conduct of National Environmental Policy Act (NEPA) analysis.

- Under the Regional Administrator's Office, the Office of Enforcement and Compliance Assurance (OECA) provides an organized and centrally identifiable enforcement coordination contact.
- Also under the Regional Administrator's Office, the Office of International Activities (OIA) serves the Region in all matters that apply to internal activities except for the relationships already established between the Great Lakes National Program Office and the Canadian government.

The Region chose to address 18 multi-media, crosscutting strategic priorities and places by establishing formal Regional Teams headed by a full-time Regional Team Manager (RTM). The RTMs report to the SLT, with individual SLT members serving as "sponsors" for the teams. These positions are the GS-14 level (with one exception—one RTM position is a GS-15).

Greater Chicago	Gateway (St. Louis area)	Upper Mississippi
Southeast Michigan	Northeast Ohio	Northwest Indiana
Common Sense Initiative	Pollution Prevention	Toxics
Sediments	Lake Michigan	Lake Erie
Lake Superior	Tribal	Crandon
Enforcement & Compliance Assurance.	Brownfields	Environmental Justice

STRATEGIC PRIORITIES

This area of study focuses on how well the Regional reorganization has positioned Region V to carry out the broad, highest-priority areas/themes/goals/guiding principles, outlined in the Agency's FY95-99 Strategic Plan, for the current and future work of the Agency.

The Region chose to address multi-media, crosscutting strategic priorities by establishing Regional Teams. In this section, the overall Regional Team approach to addressing strategic priorities is discussed. The succeeding sections will focus specifically on four strategic priorities—CBEP, Pollution Prevention, Partnerships, and Enforcement.

The success of the Region V reorganization may rest on how well the Regional Teams with RTMs approach works. If this approach works well, the Region will have succeeded in melding the dual goals of a media based organization with the capability to address multi-media, cross-cutting Agency and Regional priorities. The subject of these teams was raised by nearly all the various groups interviewed. Overall, the most significant observations include the following:

- **Resources:** Several RTMs expressed frustration over resource issues. The RTMs were provided with Divisional point of contacts, called “windows”, who work with Divisional management and staff to provide support to the Regional Teams. The ad hoc nature of this arrangement is not necessarily a problem if the RTM is creative at corralling and procuring resources, and if the “windows” designated were strong actors. Since these factors did not exist on all the Regional Teams, some teams are struggling. The SLT is attempting to address this by recently asking for work plans and resource needs from each Regional Team. These plans are currently under review by the SLT and the Resources Management Committee.

Another resource issue concerns the demands on small offices with this regional team approach. The review team received comments from offices such as the Great Lakes National Program Office and the Office of Public Affairs in which they outlined the difficulties with participating appropriately on all the various teams. Individuals in these small offices, in a number of instances, are assigned to serve on several teams, and they are concerned with how they balance their team work with their other assignments.

- **Management Attention:** The SLT wanted to increase the profile of Regional Teams by having the RTMs report to the SLT rather than specific Division Directors. The SLT clearly wanted RTMs to use self initiative and to feel empowered to go in whichever direction was most appropriate and effective, and the SLT would be there to support them. The SLT is still struggling and sorting out how they appropriately support the Regional Teams. Some RTMs feel that they essentially report to their SLT sponsor, rather than the Region-wide SLT. The SLT, through how it operates vis-a-vis the RTMs and through its decisions regarding resources, will have a critical impact in terms of how effective the Regional Teams become.
- **Internal Communications:** There is a significant amount of uncertainty about the Regional Teams, particularly among staff. Some of the “windows” believe their team-related work is not fully taken into account, that their supervisors still only appreciate their program-related work. It does not appear that the performance appraisal process has been fully worked-out regarding team-related activities. Many comments were received concerning uncertainty about how supervisors would take team-related work into account in the performance appraisal process. Also, the reason why this set of priorities was chosen to have Regional Teams and RTMs is unclear to staff.

The creation of Regional Teams, with RTMs, imposed a matrix management structure. The relationships between the Teams and the media-specific Divisions have underlying tensions. The SLT has committed to focus its attention to resolve these issues. Another, separate tension, is due to the eventual upgrading of RTMs to grade 14.

COMMUNITY-BASED ENVIRONMENTAL PROTECTION (CBEP): The Region has a CBEP Workgroup that developed the action plan for the Region's approach to CBEP. Prior to the reorganization, the Workgroup had interviewed staff and managers within the Region to determine how to get community-friendly tools in the hands of those who need them. With the reorganization, the Workgroup is reevaluating the CBEP program's approach.

While the CBEP Workgroup is addressing overall issues, the Region through the reorganization established ten place-based Regional Teams. This appears to be a substantial and significant effort to implement CBEP. It is clearly too soon to tell how effective this approach will be. Regional staff and State interviews included comments which indicate some of these new teams show promise while others do not. A critical test of the concept is imminent, since the Resources Management Committee (and perhaps ultimately the SLT) is reviewing proposed work plans, with resource investment options, for each of the Regional Teams.

POLLUTION PREVENTION (P2): The Region is addressing pollution prevention through a Pollution Prevention Regional Team. The RTM also serves as the pollution prevention coordinator. The team manager has SLT sponsorship from the Director of the Waste, Pesticides and Toxics Division.

This approach for addressing pollution prevention appears to be working, and is enabling the Region to address this Agency strategic priority. The P2 Team is operational and has some accomplishments to date.

PARTNERSHIPS: The strategic priority of partnerships is being addressed by Region V through the following:

- A team was created to address tribal issues. Additionally, the Region has three tribal liaisons in the field.
- During this past year, the Region established a NEPPS (National Environmental Performance Partnership System) workgroup, with representatives from each program and the Great Lakes program. Apparently, one outcome of this group's work was to establish separate teams to negotiate PPAs and PPGs with the States. Each Division has a State assignment and a team. The Office of Strategic Environmental Analysis (OSEA) was designated as the overall point of coordination for Regional efforts on PPAs/PPGs.

The States: Comments from one State indicate that the Region has not accomplished some of its fundamental goals for reorganizing such as streamlining and becoming more cost-effective. In particular the team approach and matrix management structure are causing concern relating to

programs that have had a long history of being State delegated programs. The Regional Teams are being viewed as interference. The participant stated that the State and governor liked the overall concept of PPAs and PPGs however they were not planning to participate in 1997. Their preliminary concerns were that the two concepts (PPAs and PPGs) would become intertwined and that the PPAs create layers of additional requirements that the State can not afford to invest. PPAs would require additional reporting requirements and new measures which would result in investing additional human resources.

Another State suggested that the Region reorganized as a way to respond to the criticism the Regions were receiving regarding their poor partnering with States. The official commented that their relationships have been good with Region V and continue to be that way. He has noticed some recent tension, but he thinks that it is simply a reaction to change and will dissipate over time. He did express some concern about the Region's PPAs and PPGs. He stated that management had committed to more flexibility in these programs, but that the staff exhibits little change. He expressed concern regarding the Agency's concept that "one size fits all". He suggested training for EPA staff as well as State personnel.

The last State participant commented that she thought the Region reorganized to facilitate a team approach to doing business and improve its ability to handle cross-program issues. She thinks the team approach provides her State with a point of contact for specific issues, which is important to this State. She would like to see the Regional Office Public Outreach staff work better with the State. Due to the lack of coordination with the Region's Public Outreach, the Region and the State have released inconsistent messages to the public. She is concerned that these inconsistencies will confuse the public and create distrust of the Government. She would like to see PPAs and PPGs integrate programs and allow a more holistic approach to environmental protection rather than a media-specific approach. However, the Region's reorganization has not demonstrated any change in their approach.

It is not possible to determine or sort out very precisely which of the State concerns regarding PPAs and PPGs are derived from the Region organizational structure, and which are part of the broader difficulties faced by the entire Agency to move forward with these new approaches. Region V does appear to take very seriously the area of PPAs/PPGs as a strategic priority, and is taking actions to be more responsive and to have a more coordinated approach. It is too early to tell whether the recent designation of OSEA to coordinate in this area will satisfactorily address the various concerns.

ENFORCEMENT, COMPLIANCE, AND COUNSELING: The Region addressed the strategic priority of enforcement by making a number of changes in the organization, and by creating several new units and teams:

- Established an Office of Enforcement and Compliance Assurance (OECA), that reports to the Deputy Regional Administrator. OECA serves as the principal contact with the National Office of Enforcement and Compliance Assurance as well as the Region V States and Tribes. OECA has the Regional Enforcement Coordinator and 3-4 staff members. The Coordinator chairs the Region's Civil and Criminal

Enforcement Screening Committee, and serves as the Regional Team Manager (RTM) for the Regional Enforcement Management Team.

- Created the Regional Enforcement Management Team to handle policy, planning, and cross-cutting issues;
- Maintained and created enforcement branches in each media/program office;
- Office of Regional Counsel (ORC) reorganized into multi-media units.

At a minimum, this new approach does seem to be offering better coordination and communications with Headquarters. Also, the Regional Enforcement Management Team appears to be addressing cross-cutting Regional enforcement issues (such as PPAs/PPGs) while prior to the reorganization such issues were not consistently addressed. It was not possible to determine, however, the specific and tangible benefits and/or new ways of doing business that could be attributable to the new Team. While there may be better communications, no examples were provided of how the work of the Team had given the Region stronger, more multi-media operations and results.

Two other points should be noted. First, there was some adjustment necessary to incorporate the ESD inspectors into the media Divisions. But there is optimism that this change will result in more persons available and capable of doing inspections. Second, the ORC moved away from having attorneys specialize in a media to having a random assignment process. While most attorneys are said to like this approach, the Regional clients are expressing frustration of having to work with attorneys that are new to their media programs.

REINVENTION PRIORITIES

*This area focuses on how well the Regional reorganization has positioned Region V to comply with EPA's reinvention guidance and achieve the Agency's reinvention goals: **Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Designs.***

- **Processes for Reorganizing:** The Region V approach started in 1993 when the Regional Administrator chartered a Region-wide Streamlining Task Force. This group's work resulted in the February, 1994, "Reinventing Region V" plan submitted to the Administrator. The plan recommended that the Region establish a workgroup to evaluate what the optimal regional organization should be. In August, 1994, the Regional Administrator convened the Optimization Task Force (OTF) to study and recommend operational and organizational changes. In March, 1995, the Region's

final organizational proposal was outlined in the Region V Reinvention Implementation Plan.

Region V senior management described a process in which a lot of work went into getting staff and stakeholder input. Internally, town hall type meetings were held. The States did not raise any significant concerns with how the Region did or did not include them in the process.

The implementation of the reorganization has faced some difficulties, much of which can be attributed to the Agency deadline of September 30, 1995, to implement reorganizations.

- The placement process was not clear. Staff and managers effected by the reorganization could indicate preferences. A staff comment was that “the intent was good, but their [management’s] execution was poor.” Due to time constraints, only one round of preferences for positions was done—when new openings after the first round appeared, another preference process was not held.
- Significant problems from filling Regional Team Managers positions. Given the hiring and promotion freeze back in August-September, 1995, Region V management reassigned people into the RTM jobs, using the preference survey process, at each persons existing grade level. The Region is now upgrading all the RTM positions to GS 14s. These are being filled through the merit promotion process.
- Problems with the placement process may have contributed a small number of formal grievances and to the vote to establish a union in the Region this past summer.

More generally, communications could have been stronger about why there was a reorganization and why this approach was chosen, i.e., an overall vision. Interview comments indicated that the only apparent driving force people felt was the 1:11 supervisor/staff ratio. It appears that there is still some confusion surrounding the decision about the Regional Teams.

It appears that the SLT is discussing and working to address some of the lingering and new problems with implementation of the reorganization such as resources for Regional Teams and the placement/upgrading of RTMs. They are also working with a management consultant to continue to monitor effects of the reorganization and to understand areas needing adjustments. There are a number of issues that do not seem to have a place to be resolved and addressed—further increasing of empowerment, support for teams, span of control, new role of the supervisor, etc.

- **Shared Vision and Values:** The Region’s Reinvention Plan addresses shared vision and values as follows:

"The Region V vision, mission, and values will serve as our guideposts for the reinventing work to come. Specifically, the Vision/Mission/Values statement will be actively used by the SLT in establishing its yearly priorities, its cross-regional teams, and its deployment of resources, as well as, being used on a daily basis to guide important policy and implementation decisions."

No references were made to the Vision/... statement by management or staff. It is possible that the Vision/... is being used as stated above, but nothing was noted to the review team in that regard.

- **Customer Focus:** In the Customer Focus area, comments were received that some of the place-based Regional Teams were effectively serving as point of contacts for those communities. Also, the Region has a Customer Service Workgroup, with members from across the Region, and with sponsorship by the Director of the Waste, Pesticides and Toxics Division. During FY 1996, that workgroup held four major meetings between Region V and external customers (large industry, small businesses, environmental groups, local governments) to listen to their needs and to gain their input for improved customer service. The workgroup distilled the results of those meetings and made 25 recommendations for action to the Regional Administrator.
- **Organizational Design:** As noted earlier, the most significant organizational design element in Region V was the decision to create regional teams with full-time, team managers.
- **New Ways of Operating and Redefined Relationships:** This section is intended to describe efforts to achieve the 1:11 supervisor/staff ratio, promote empowerment, use teams, redefine management behavior, and bolster morale, and the effect — cumulative or individual — of these new ways of operating.

In Region V, the strongest, and most consistent feedback and comments revolved around the new Regional Teams and the fact that 1:11 supervisor/staff ratio was a driving force for the reorganization. The Region's major initiative involved Regional Teams. The issue of Regional Teams is discussed in a previous section of these observations (II. Strategic Priorities). As has and will be noted elsewhere, from an Organizational Design standpoint, the key elements to long-term success of the reorganization will be how well the Regional Teams will work.

A significant observation in the Management Behavior area is that senior management believes the SLT is evolving as intended. The SLT was created to help senior management move from a Division focus to a Regional view, with attention on the strategic environmental and organizational issues confronting Region V. The Resources Management Committee (RMC) is intended to relieve the SLT of operational issues.

Another part of Management Behavior was a commitment to rotate two or three Division/Office Directors. Senior management explained that they feel this was achieved (through the splitting up of the old Superfund/RCRA Division, and filling a Division Director position due to retirement). However, a number of staff noted that it did not “feel” like the SLT fulfilled its commitment, in particular with the SLT members.

In addition, there are other issues that were identified that relate to “new ways of operating:”

- There were some concerns expressed, by managers and staff, that the span of control in some units as a result of the 1:11 supervisor/staff ratio is too great.
- The role of the supervisor is unclear, and there does not appear to be a new vision shared and understood across the Region. In one sense, supervisors felt the supervisory jobs were being devalued relative to the new Regional Team Managers. Additionally, there was a feeling expressed that the supervisory jobs were being described as undesirable jobs (signers of timecards, etc.).
- Progress on increasing “empowerment” is at best uneven. First, staff and managers did not have any great sense that layers were reduced. Rather, some felt that the new Regional Teams imposed an additional, new layer onto the organization. Second, staff felt it was the same as before—some managers are great at encouraging and fostering empowerment, while others are not. Some staff noted they thought things had gotten worse because some of the managers who were good at empowering staff chose to successfully seek some of the nonsupervisory RTM jobs.

The issue of “morale” is very difficult to assess. However, the comments received do indicate there is an opportunity to strengthen morale. The open staff session included many who wanted an opportunity to express their frustrations. In addition, it was noted that a union is being established. Of course, it is impossible to determine how much of this situation is due to the reorganization and how much is due to EPA budget crisis and threat of RIFs earlier this year.

The reorganization apparently did not drastically impact expertise/institutional memory/contacts/relationships. The States did not indicate any particular concern, although some Regional managers felt the organization was vulnerable due to too many people in new jobs.

ACCOUNTABILITY AND INTEGRITY

This area focuses on whether the Regional reorganization has positioned Region V to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations, and central agency guidance.

- **Resource and Management Integrity:**

The most notable observation in this area is that the Resource Management Committee (RMC) is showing promise. The RMC, primarily comprised of associate division directors, is being used to discuss and come to consensus on various operational issues (resources, personnel, space, etc.). These issues were previously addressed by the SLT, so the SLT is now in a better position to focus as a body on more strategic, bigger picture issues.

One major change involving resource management activities is that the Region transferred its planning functions from the resources management organization to its Office of Strategic Environmental Analysis. Its budget office remains involved in the planning process, but no longer leads those efforts. The splitting of the planning and resource management functions is notable because NAPA's report, Setting Priorities, Getting Results, includes a recommendation that EPA merge the two Headquarters offices with leads for these functions, the Office of Policy Planning and Evaluation (OPPE) and the Office of Administration and Resources Management (OARM). EPA is responding to this recommendation by transferring OARM's Office of the Comptroller, OPPE's planning and evaluation functions, and a few other administrative functions from OARM to a new Office of the Chief Financial Officer (OCFO). Given these organizational changes taking place in Headquarters, some Headquarters officials are concerned that in splitting its planning and budgeting functions, Region V will be heading in a direction different from the rest of EPA. They are also concerned that splitting these functions may diminish the authority of the Region's Senior Resource Official.

OTHER RELATED ISSUES: A comment made by management and staff was that Headquarters set the stage for how the reorganization would proceed. Since Headquarters did not change much (in their opinion), it was considered too rash for the Region to consider a wholesale, fundamental new organizational structure. Additionally, it was noted that not much guidance was available at key times—the guidance that did come from Headquarters was too late.

Another overall comment received concerned Agency initiatives. While the Agency is trying to reduce its layers of management, it is not reducing a major generator of more management, namely

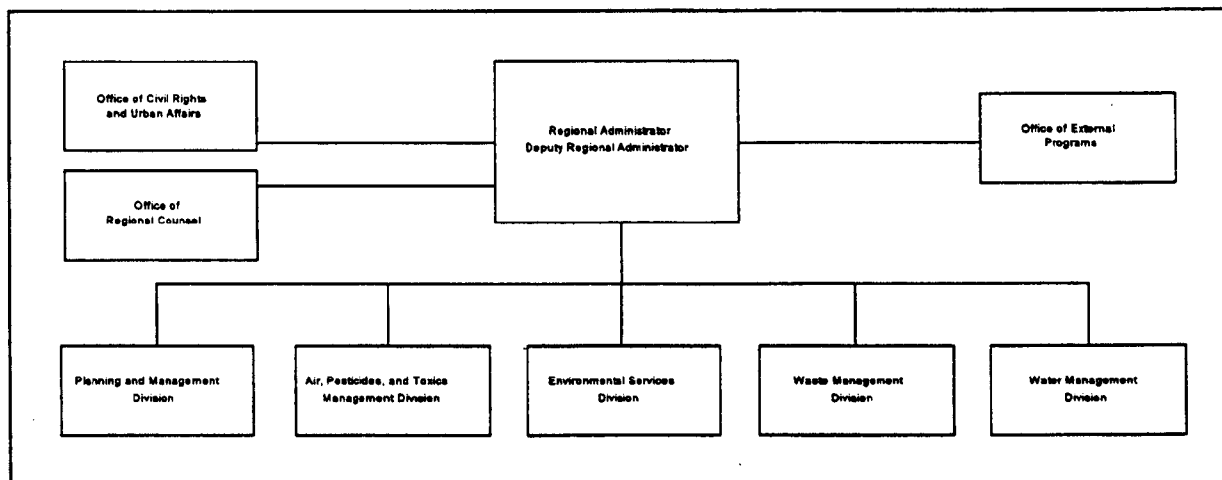
Agency initiatives and priorities. According to this comment, to maintain some consistency, the reduction in management resources should have been accompanied by some reduction of initiatives.

APPENDIX 2e

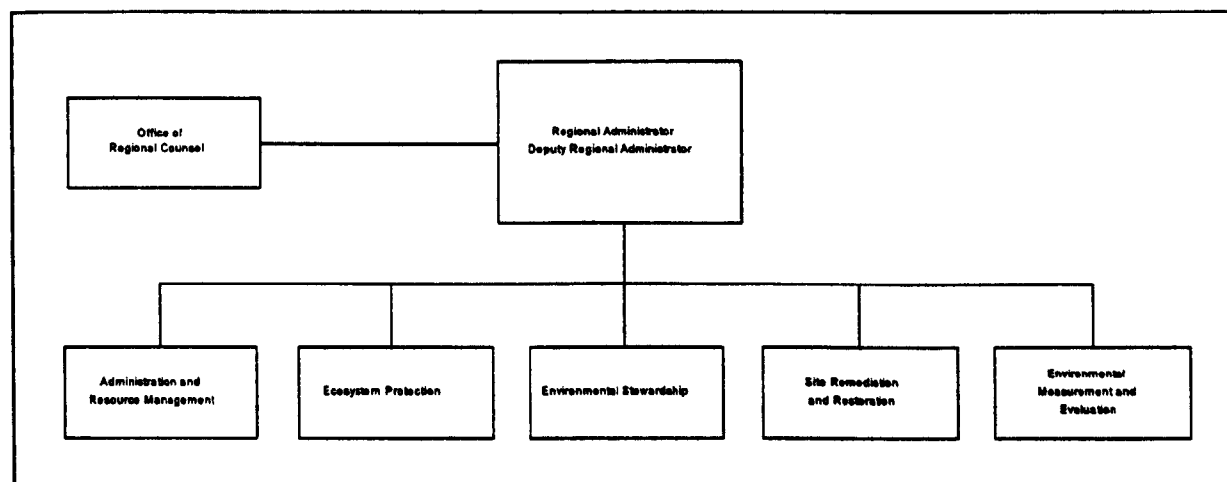
Region I, EPA New England, Boston, MA
REGION-SPECIFIC OBSERVATIONS

Site Visit: September 24-26, 1996

Organizational Structure Prior to October 1, 1995



Current Organizational Structure



BRIEF DESCRIPTION OF REORGANIZATION, and STATED INTENTIONS AND DRIVERS

Region I reorganized from a traditional media-based structure to a multi media-based structure with an emphasis on place and sector-based environmental protection. As part of its reorganization, the Region also consolidated a number of like and complimentary activities into the new Offices it formed. This included the consolidation of most of Region's enforcement resources into one office, the one exception being its Superfund technical enforcement staff. Finally, as part of its reorganization the Region took the opportunity to reassign a number of its supervisors/managers and staff into new subject matter areas. This was done to promote cross-media expertise and provide employees with an opportunity to change jobs.

As a result of the reorganization, the Region went from five divisions and three offices to six organizational units it calls "Offices." Provided below, is a brief description of the new organizational units.

- **Office of the Regional Administrator** - includes the Regional Administrator, the Senior Policy Advisors, the Offices of Regional Counsel, and Civil Rights and Urban Affairs. In addition, this Office also includes the functions of Intergovernmental Relations, Public Affairs, and Customer Relations and Marketing.
- **Office of Ecosystem Protection (OEP)** - is designed to promote and implement integrated place and community-based approaches to protect the environment. The Office incorporates staff and functions from the air, pesticides and toxics, water, and RCRA programs. Its mission is to establish environmental standards and goals and build State and community capacity for meeting them.
- **Office of Environmental Stewardship (OES)** - has two major functions, which are to carry out most enforcement and compliance activities in the Region and provide assistance to the regulated community to facilitate pollution prevention. Attorneys, scientific, engineering and technical staff engaged in these activities, for all media, are located in OES.
- **Office of Site Remediation and Restoration (OSRR)** - is responsible for restoring currently contaminated properties as required under CERCLA, the RCRA corrective action program, and the Underground Storage Tank Program.
- **Office of Environmental Measurement and Evaluation (OEME)** - contains the Region's laboratory, and its field and quality assurance functions, providing the infrastructure necessary to measure the Region's success in the environment.
- **Office of Administration and Resources Management** - provides advice and services needed to maintain the operations of the Region and ensure the effective stewardship of the public's funds. Responsibilities include providing finance, budget, human resources, facilities management, and information resources management support to the Region's program offices.

In developing its reorganization plan, Region I had several major goals. The most important of these were to:

- Create a placed-based and sector-based institution with an emphasis on approaching environmental issues from a multi media perspective;
- Better connect the Agency to the “real world”;
- Improve the Region’s ability to better target its limited resources; and
- Flatten the organization, and make it more efficient and effective, by having more people doing program work and less management oversight.

These goals, rather than the need to reach the 11:1 employee to supervisory ratio were what drove the reorganization.

STRATEGIC PRIORITIES

This area focuses on how well the Regional reorganization has positioned Region I to carry out the broad, highest-priority areas/themes/goals/guiding principles, outlined in the Agency’s FY95-99 Strategic Plan, for the current and future work of the Agency.

Region I’s reorganization was designed to address the Agency’s strategic priorities. As mentioned above, they were the primary reasons why the Regional Office decided to reorganize. How the Region has attempted to meet some of the more significant strategic priorities is discussed below.

COMMUNITY-BASED ENVIRONMENTAL PROTECTION (CBEP): The Region’s geographical and community-based environmental protection efforts are led by the Office of Ecosystems Protection (OEP). This Office has a placed-based focus with a multi media orientation. One of the main ideas behind its creation was to enhance the Region’s ability to carry out geographically and community place based environmental protection.

The Region has a number of significant ecosystem initiatives. One of these is the Resource Protection Project, whose goal is to identify and protect important ecosystems throughout the New England region. Working with States, local governments, other Federal agencies, associations, and others the Region expects to be in a position to protect some of the most important, but threatened, ecosystems in New England. As a pilot, OEP worked with the State of New Hampshire and other outside organizations to identify those significant ecosystems requiring protection in the State, and then worked with the State and these groups to develop plans to protect these ecosystems. The

Regional Office has started this process with the States of Connecticut and Rhode Island, and plans to do the same for the other three New England states.

With its Urban Ecosystems Initiative, the Region is dedicating resources (dollars and FTEs) to leverage development of sustainable public/private partnerships which is intended to build community-based capacity to identify, assess and address urban environmental hazards and reduce environmental degradation. This work is now underway in Boston, Providence and Hartford.

The Region is also pursuing a broad range of larger and smaller scope projects. National Estuary Program type projects include Long Island Sound, Narragansett Bay, Massachusetts Bays (includes Cape Cod Bay), Casco Bay and Lake Champlain. The Regional Administrator has also asked each State to identify at least two or three places where the Region will be directly engaged in community-based protection efforts.

POLLUTION PREVENTION: When Region I reorganized it placed its pollution prevention activities within its Assistance & Pollution Prevention Unit, in the Office of Environmental Stewardship (OES). This unit has two major purposes:

- Support and promote technical and regulatory assistance programs for a wide range of customers and to oversee development of an integrated assistance plan for the Region; and,
- Serve as a regional resource center for developing innovative approaches to achieving environmental goals through education and communication, for promoting pollution prevention and environmental technologies, and for forming collaborative partnerships with the regulated community, states, and other key partners.

The unit is organized around five separate but interrelated teams. These teams and a brief description of their responsibilities are provided below.

- **New England Environmental Assistance Team (NEEAT):** responsible for developing and carrying out comprehensive sector-based assistance plans through such vehicles as the Environmental Leadership Program and Project XL.
- **Environmental Leadership Team:** Responsible for developing cooperative partnerships with specific model companies to encourage them to promote innovative and comprehensive environmental management systems.
- **Business and Innovative Technologies Team:** Responsible for the Center for Environmental Industry and Technology (CEIT) which is designed to foster the development of environmental technologies, and industry outreach programs such as Green Lights.
- **Emergency Planning and Community Right to Know Team:** Responsible for the Toxic Release Inventory (TRI) program including outreach on compliance and training on data use and interpretation.

- **Solid and Hazardous Waste Work Group:** Responsible for promoting pollution prevention and waste reduction activities including recycling by offering assistance to states, local governments, industry, and others.

During our discussions with industry representatives and external stakeholders they were very complimentary about the Region's pollution prevention activities. They thought they were a move in the right direction.

PARTNERSHIPS (STATES, TRIBES, IMPACT ON PPAs/PPGs): One of the key goals of the Region I Reinvention Plan was to improve its relationships with its partners and stakeholders. These changes involved both structural and cultural changes. The primary structural changes were as follows:

- Creation of State Units and State Liaisons in OEP; and
- Increasing compliance assistance and pollution prevention staff and resources.

In addition, through its actions senior management has made it clear that it values strong relationships with its partners and external stakeholders. This was made clear by comments we received from these parties and also from Regional Office staff during our discussions with them.

- **States:** We spoke with representatives from all the Region I states except Maine. One facet of the reorganization that did seem to impress the representatives is the commitment made by the Region to improving their service through new State Units and Liaisons, which are designed to make business with the EPA as easy and responsive as possible. The representatives largely indicated that they have not yet seen much of an effect on their relationships with Region I because of the reorganization. Considering some of the disruption the reorganizations have caused in other regions, the seeming absence of disruption is interesting and perhaps may be an early sign of some success. Although the representatives did have a couple of complaints about occasional heavy-handedness and lack of consultation, these appeared to be a fairly normal aspect of regional-state relationships, and not peculiar to any aspect of the reorganization.
- **Tribes:** As a result of the reorganization, the Tribes believe the Region is more responsive and the Tribes have a better understanding of whom their Regional Office contacts are. However, they felt that the Tribal Representatives should report directly to the RA's Office.
- **External Stakeholders:** The external stakeholders (industry, trade, and environmental group representatives) had mixed reactions to the Region's reorganization. Many thought that the Region's reorganization was a move in the right direction. However, their reasons for believing this varied greatly, as the list below demonstrates:

- Getting better environmental protection through more prevention.
- Pollution Prevention support has made a difference.
- More open to new ideas, initiatives.
- Clear stewardship message coming from on high - although there often is a disconnect at lower levels - resistance to change.
- Making bold, results oriented decisions - making the change.
- Proven commitment to CBEP and prepared to engage and devote resources to urban issues. Seeing a transfer of responsibility to empowered groups.
- Compliance efforts are right on the money (Eg/Common Sense Initiative, NEEAT, Environmental Leadership Program)

Despite their general support for the Region's efforts to reinvent the way they approach environmental protection, some of the external stakeholders expressed concerns over various aspects of the Region's operations. These concerns were as follows:

- Clear stewardship message coming from on high - although there often is a disconnect at lower levels - resistance to change.
- Have not seen the efficiencies/streamlining yet.
- Wary of less compliance monitoring and assuming all is well.
- Skeptical that moving away from enforcement is right.
- Need to deepen cooperation between assistance, enforcement and counsel so they work hand in hand and consistently (still, movement is in right direction).
- Zillions of EPA incentive programs; relatively incoherent en mass.

ENFORCEMENT, COMPLIANCE, AND COUNSELING: As a result of the reorganization, the vast majority of the Region's enforcement resources were placed within the OES, including many of the Region's attorneys. Previously, the Region's technical enforcement staff and functions had been disbursed among several organizational units, and the attorneys had been part of the Office of Regional Counsel (ORC). Counseling services remained with the ORC.

- **Enforcement & Compliance:** OES is responsible for the Region's enforcement and compliance assistance activities. It consists of two main programmatic units; the Enforcement Unit and the Assistance and Pollution Prevention (P2) Unit. The

Enforcement Unit is responsible for enforcing all the regulatory program requirements under EPA's jurisdiction, while the A&P2 unit provides technical and regulatory assistance to industry and the public sector. One reason for separating the enforcement and compliance assistance units was to reassure the regulated community that information obtained from compliance assistance activities would not be used against them for enforcement purposes.

As part of its plan to reinvent itself, the Region has made a conscious effort to adjust the balance between enforcement and compliance assistance/pollution prevention activities. According to Region I management, the Region has the largest compliance assistance staff in the country. While the regulated community seems to support the Region's shift in emphasis, some Region I employees and environmental groups expressed reservations about the Region's movement away from enforcement toward compliance assistance. In conversations with Region I employees we were told that the Region has put too much of its resources into compliance assistance at the expense of enforcement.

The Region is also having some problems gaining the trust of the regulated community. Region I staff stated that industry is fearful of getting involved with compliance assistance activities because they still fear the hand of enforcement. They attributed this to two factors. First, in the case of metal finishers, the Region's pollution prevention, compliance assistance, and enforcement functions are all targeting the same sector. Second, industry is getting a mixed message from various segments of EPA. For example, enforcement staff tends to emphasize enforcement, while compliance staff tends to emphasize compliance type activities. Consequently, the regulated community is confused regarding EPA's stance on enforcement versus compliance assistance.

- **Counseling:** Counseling activities, both media specific and general legal issues such as grants, contracts, etc. continue to be performed by the Office of Regional Counsel (ORC). ORC staff stated that their clients liked having a central point with dedicated resources to address general law issues.

Prior to the reorganization, a number of ORC staff had expressed a desire to work on a greater variety of legal issues than they were being given an opportunity to work on. Consequently, when the Region reorganized it made a conscious effort to allow lawyers to work on a variety of legal issues (workload diversity).

As a result of the reorganization, two basic, but very important issues have surfaced pertaining to the rendering of legal services in the Region. These two issues are the splitting of enforcement and counseling staff, and the management of workload diversity.

- **Splitting of Counseling and Enforcement Staff:** Some ORC staff expressed dissatisfaction with the splitting of enforcement and counseling staff. Several of

them expressed the view that there is a lot of crossover between enforcement and counseling issues. For example, one of the staff noted that the Superfund legal support group within OES was having difficulties distinguishing enforcement from counseling issues. Several staff also offered the view that they did not see those counseling issues within enforcement issues were being better identified as a result of the reorganization. On the other hand, some attorneys noted that perhaps the organizational separation makes it easier to distinguish between legal enforcement and counseling issues, except, perhaps, with respect to Superfund matters. This is one reason why some ORC staff do not want counseling issues placed with enforcement.

Also the manner in which the changes were implemented has caused management, communication, and coordination problems. For example, a lawyer doing enforcement work in Superfund and another area could have two supervisors rather than one. This is because Superfund legal support is a separate organizational unit with its own supervisor, within the legal support section of OES. Having two supervisors has led to reporting relationship and work management problems. In addition, because of the split between counseling and enforcement there is a greater need to coordinate their efforts but it is not always clear who should talk to who.

Still, ORC staff did note that one advantage of having a separate counseling office is that important counseling matters do not get pushed out by enforcement matters.

- **Workload Diversity:** Implementing workload diversity has not gone smoothly. There appear to be three major issues requiring resolution.
 - First, we were told that some lawyers had an emotional reaction to the workload diversity issue and view it negatively because they thought they may be pressured to work in multiple areas even though they did not want to.
 - Second, because staff are sometimes working in new and unfamiliar areas, they lack the depth of expertise that a specialist would possess. Consequently, they might not always provide the best advice and make take longer to respond to inquiries. One device which ORC uses to address this concern is the appointment of senior attorneys as media lead liaisons with the enforcement staff. For example, one works with both OES and Superfund staff on Superfund issues, others work with OEP and, to a lesser extent, with OES, on water and air issues. Last, the workload diversity issue has created a management challenge because supervisors are not fully aware of what their staffs are working on.
 - Third, because of workload diversity, staff are concurrently working on multiple assignments in different areas. This makes it difficult for

supervisors to evaluate employees' performance and to manage the workload. One method that has been used to address this issue is to have staff submit weekly reports describing what they are working on and the status.

Region I management is aware of these issues, and is looking into ways of correcting or ameliorating them, as part of its mid-course evaluation that is scheduled to be completed in January 1997.

- **Environmental Justice:** The Review Team did not obtain enough data to form observations or opinions on this issue.

REINVENTION PRIORITIES

*This area focuses on how well the Regional reorganization has positioned Region I to comply with EPA's reinvention guidance and achieve the Agency's reinvention goals: **Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Designs.***

PROCESSES FOR REORGANIZING: For the most part, the Regional Administrator(RA) came up with the basic reorganization design. A Steering Committee consisting of management and non-supervisory employees from various parts of the Region was formed to deal with issues related to the reorganization, and also oversee the work of several subcommittees.

Based on comments received from various groups of Region I employees consisting of both management and staff, it is clear that the reasons for reorganizing, the shared vision and values, and the decision-making processes were never clearly communicated to employees. However, in hindsight it is clear that the RA was the final arbiter of these decisions.

Many managers and staff expressed disenchantment with the way decisions were made. In large part, this appears to stem from the fact that they were led to believe that their thoughts and ideas would be considered in developing the reorganization plan. For example, the Region provided a number of opportunities for employees to comment on the Region's reorganization proposal. Many employees provided their comments and suggestions for improvement. However, the final plan changed little from what was originally proposed. As a result, many people expressed frustration over the entire reorganization process. They stated that the RA should have been candid up-front about what decisions were on the table and those that were not.

At the time of our visit, the staff's displeasure with the way the reorganization process was conducted was still very high and was adversely affecting employee morale. People in a number of different sessions felt the reorganization had lowered morale. It is important to note that many employees were not upset so much about the final outcome of the reorganization, as they were about the way it was accomplished. In the Team's view, it appears that the reorganization focused too much on organizational issues (e.g., drawing boxes and lines) and not enough on people issues such as communication, seeking and getting buy-in from employees, listening to others' views and acknowledging the value of those views, and providing more transition support for dealing with change. In any subsequent change efforts, the Region should more carefully balance organizational and people issues.

Region I management acknowledged that the process could have been better managed. They recognized that they did not effectively sell the reorganization internally, although a great deal of time was spent trying to explain the reorganization to external parties and EPA headquarters. In hindsight, if they had it to do over again, they stated they would mount a greater selling effort internally. Also, they concluded that the process was overly inclusive and that the decision-making process had not been clearly communicated to employees.

During the Team's exit briefing with senior management, we raised this subject since the Region is in the process of conducting a mid-course evaluation. The Team recommended that the RA issue a memorandum or hold meetings describing the purpose and scope of the mid-course evaluation, as well as, a clear explanation of the decision-making process including what is negotiable and what is not. The RA agreed to do this.

REINVENTION GOALS: As part of its reinvention endeavors, the Region was required to address the following Agency Reinvention Priorities:

- Shared Vision and Values
- Customer Focus
- Cultural Diversity
- Working Collaboratively, and
- A number of organizational design issues.

Shared Vision and Values: The Region lacks a common vision and set of values because its senior management did not effectively communicate these to their employees. As a result, many regional employees, including those in management, do not necessarily know what the Region's vision and values are.

Customer Focus: The Region took a number of steps to improve their customer focus. Some of the key actions it took are summarized below:

- Creation of State Units and State Liaisons in OEP. This provides States with “one stop shopping” for their needs.
- Placing an emphasis on place and sector-based environmental protection.
- Working closer with the regulated community through programs such as compliance assistance P2, CSI, and XL.
- Creating a Tribal Operations Unit within OEP.

Cultural Diversity: We are unable to judge whether the reorganization had an impact on the Region’s cultural diversity profile for both supervisors and non-supervisory personnel. This is because when we asked both management and staff how the reorganization had affected the Region’s cultural diversity profile they both responded using traditional EEO measures of diversity, rather than the more broad characteristics included under cultural diversity. In fairness to the Region, all the other Regions we visited responded to our question regarding cultural diversity the same way. This suggests that greater efforts are needed to educate employees about what is meant by cultural diversity.

Using EEO measures as a proxy for cultural diversity, it appears that the reorganization had little to no effect on the Region’s diversity profile. One of the reasons for this is that the Region made a conscious effort to ensure that the reorganization did not have a negative effect on diversity. One of the ways it did this was to try to keep the proportion of minority and women supervisors at least the same after the reorganization as before the reorganization. According to the Region’s top management, they thought that diversity had remained the same or improved slightly as a result of the reorganization. However, during one of our staff discussions, some minority individuals expressed concerns over the Region’s diversity profile.

Working Collaboratively: As part of the reorganization, the Region took several actions intended to enhance its ability for management and staff to work more collaboratively.

- First, the Region made a conscious effort to make more use of teams, and factored this idea into the design of its organizational structure. For example, the OES relies heavily on a team structure for its success. Moreover, teams can also be found throughout the rest of Region I Offices.
- Second, the Region flattened its organizational structure and reduced the number of supervisors. These two actions were intended to promote greater horizontal interactions and strongly encourage supervisors to allow their staff to make more decisions.
- Finally, in selecting supervisors for the new organization, the Region tried to select those individuals whom they thought possessed the characteristics of the new management paradigm — individuals who would act more like coaches and mentors, and who would empower their staff.

Placement Process: As a result of the reorganization, approximately one-third of the managers and 10-20% of all staff were placed into new jobs outside their area of expertise. This has created a great deal of disruption, and some discontent among staff. There were several reasons for the large movement of people. First, the Region wanted to select, as supervisors, those individuals that best fit the new supervisor paradigm. Second, new positions had to be found or created for displaced supervisors. Third, the Region wanted to promote multi media expertise. One way found to accomplish this goal was to move people from one media area to another. Last, a number of staff expressed the desire to work in a different area and the placement process allowed the Region to accommodate many of these individuals' requests.

The one employee group that was most hurt by the reorganization and resulting placement process was the administrative support staff. According to senior management and staff, a number of these employees were involved in upward mobility programs at the time of the reorganization. However, as a result of the reorganization, they all ended up doing clerical work again. This was unexpected because management had promised them that their concerns would be addressed. Consequently, the Region's administrative support staff is very demoralized.

In fairness to senior management they had intended to keep their promise, but the troubles encountered in getting an enacted FY 1996 budget and the resultant furloughs and threats of reductions in force (RIFs) prevented them from being able to do so. Senior management is well aware of the issue, and is taking steps to see what they can do to improve the situation.

Organizational Design: In redesigning the Region's organizational structure, the Region took a number of actions that have collectively enabled or positioned it to achieve the following objectives:

- Reduce organizational layers;
- Achieve 11:1 ratio;
- Redeploy "HQ/Administrative" Staff;
- Promote greater flexibility;
- Improve communication and coordination; and
- Enhance integrity, efficiency, and effectiveness.

First, the Region went from a media-based organizational structure to a multi media structure. In moving to a multi media structure, the Region also took the opportunity to combine like and complimentary activities into the same Office. For example, it combined the former Superfund Division with Emergency Response activities (formerly housed in ESD) to form the Office of Site Remediation and Restoration (OSRR). It also consolidated all of its enforcement resources (including attorneys), except for Superfund and UST Technical Support staff, within the Office of Environmental Stewardship.

Second, prior to the reorganization, the Region had an employee to supervisory ratio of 6:1. In order to reach the 11:1 employee to supervisory ratio, 36 of the 92 non-SES supervisors were placed into non-supervisory jobs. These former supervisors have been reassigned to a variety of positions which more directly support the programmatic work of the Agency, including positions of influence such as Associate Directors and Team Leaders.

The above actions helped the Region reduce management and organizational layers; redeploy "HQ/Administrative" employees; and achieve a supervisor to employee ratio of 11:1. These actions were also intended to improve communications and coordination and enhance integrity, economy, and efficiency.

Third, the Region is making greater use of teams and has a less hierarchical and detailed organizational structure. In addition, the Region has tried to promote cross-media expertise by moving staff to new areas. These changes should help the Region to be more flexible.

At the time of the Team's visit, the Region was in the process of evaluating the reorganization. This process is expected to be completed in early January 1997. There were several areas where adjustments in the organizational structure and personnel were being considered. These areas included the OEP, OES, and the ORC. Also, the Region is aware that it is having problems implementing the team concept, especially in OES.

NEW WAYS OF OPERATING: The Review Team was unable to reliably evaluate whether Region I's reinvention activities have resulted in improved ways of operating. Changing the way the Region accomplishes its work requires cultural or attitudinal shifts on the part of both management and staff. Typically, such changes can take up to five years or more to work their way through an organization. However, the Region's reorganization is barely a year old. Moreover, it was anything but a normal year due to the difficulties the Agency had in obtaining an enacted FY 1996 budget. Nevertheless, we do have a number of observations to offer, which we believe are valuable, based on comments we received from Region I management and staff.

The Team heard from both management and staff that the move to a 11:1 supervisor to employee ratio was not working well for a variety of reasons. First, the move to 11:1 has created span of control problems in terms of number of staff and programs under a single supervisor. In order to achieve an overall employee to supervisor ratio of 11:1, some supervisors ended up with more than 11 employees to supervise. According to staff, some supervisors are supervising 20 or more employees. Also, some supervisors have too many programs/different areas under them which is taxing their abilities to adequately comprehend what they think they need to know to competently perform their supervisory responsibilities. Second, the Agency's performance management system requirements have not changed despite the increase span of control. Third, according to staff some supervisors have not made the change to the new mode of managing. They are still largely behaving as before. Fourth, as part of the reorganization a significant number of managers and staff were assigned to areas outside their existing expertise. Also, as a result of the reorganization, new relationships had to be developed due to the combination of organizational and staffing changes.

We were told by staff in OSRR that in other parts of the organization, managers are quitting or struggling because of the unfair burden of managing 22 people. They also said that those former managers operating as Team Leaders are not operating differently, which the staff finds demoralizing. Moreover, no money was saved because the Region now has more 14s and 15s than before the reorganization. In some instances, taking away the first level of management has led to some places where no one is really in charge. It has also put people in hopeless situations due to not having enough time to keep up with everything. They are going from problem to problem.

Senior management acknowledged that the increased span of control is a problem for the Region. They noted that two people have gone from supervisory to staff positions, and in one of those instances span of control was a major contributing factor. Many managers are not accessible. The problem goes beyond merely stretching the new supervisors; a basic behavioral change is required. However, little work has been done on changing the definition of roles and most managers do not accept the need to change. Also, the process of identifying experts has not been completed. The managers who have changed their behavior have done so by delegating more, and by not insisting on deciding or even hearing about every issue.

In terms of empowerment, most of the staff we talked to did not feel that they had been empowered as a result of the reorganization. However, some did feel empowered. Whether staff felt empowered or not, seemed to largely center around their supervisor's management style. If a supervisor was one, who liked to empower his or her staff, then the staff felt empowered and vice versa. We were also told that in some instances because supervisors were new to an area, and therefore lacked the necessary technical expertise, they did not have much choice but to empower their staff.

The reorganization does not appear to have improved the economy and efficiency of the Regional Office so far. In fact, based on management and staff perceptions, productivity, at least in the short-term, has been hurt by the reorganization. There appear to be three principal reasons for this. First, the reorganization process diverted staff away from their regular duties. Second, the actual reorganization itself created disruption and required new working relationships to be formed both within the Regional Office and with EPA stakeholders. Third, the new organizational design relies more heavily on a matrix management structure. This structure requires more internal communication and coordination between organizational units because their responsibilities are more interrelated and overlap somewhat. This structure was chosen because of the need to maintain some programmatic and media-specific focus, yet at the same time move forward with the Agency's strategic priorities. As the Region gains experience with its new organizational structure and new relationships are formed, many of these issues should conceivably lessen.

The Region is also experiencing difficulties implementing the team concept. The problem is particularly acute in OES, which is organized around teams, and therefore, highly dependent on them for their success. Part of the problem stems from the fact that the roles and responsibilities of teams and their members have not been well-defined. Also, little training for how to work in teams has been provided. Regional management is aware of the situation and is taking steps which they hope will resolve the problems.

It should be noted that all five regions the review team visited were encountering problems implementing teams. Part of the problem is that the Agency, as a whole, has not worked out all the issues related to teams such as clearly defining roles and responsibilities, work assignment, and performance management issues. The Agency currently has a project in process to try to address implementation issues related to teams. The resolution of these issues should help improve the Agency's success with teams.

In our conversations with Regional employees and with external stakeholders, we detected indications that the Region is moving toward more results-oriented environmental protection and away from a process orientation. We heard from external stakeholders that the Region was more open to new ideas than it was before. For example, they mentioned the Region relieving strict clean up standards for some Superfund sites. We also heard from Regional staff that there is a greater focus on results than before. In our discussion with OEP staff they noted the ORC had been approving some agreements which do not strictly comply with regulations, but do not result in any harm to the environment. Previously, such agreements would not have been approved. Although, we did not do enough work to reach any conclusive decisions on this issue, the signs look promising.

The Region appears to be well on its way toward developing environmental indicators and measures for assessing how well its efforts are working. The Ecosystems Assessment Division within OEME is responsible for developing environmental measures and indicators. Last year, the Division with the help of a consultant worked to develop a set of measures that both EPA and the States could live with. So far they have come up with eight or nine measures, which they plan to incorporate into the PPGs. Some of these measures tie into EPA's National Environmental Goals. Examples of some of the measures developed include miles of beaches open; days beaches were open; return of indigenous species; and number of hospital admissions for asthma.

One of the problems the Region has encountered in developing measures acceptable to the States, is that some States lack statutory authority over the areas where some of the measures have been proposed. Consequently, even though they think the measure is good, the States find it unacceptable because they have no control over the area.

Finally, both senior management and staff expressed concern over the potential for a loss of deep media-specific and program specific technical expertise due to the move toward promoting cross-program and multi media expertise. At this time, it does not appear that the Region has lost such expertise. The fact that senior management and staff recognize this as a potential issue may prevent it from occurring. Again, it is too soon to tell.

ACCOUNTABILITY AND INTEGRITY

This area focuses on whether the Regional reorganization has positioned Region I to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations, and central agency guidance.

ACCOUNTABILITY AND INTEGRITY: Overall, it is too soon to tell whether accountability and integrity have improved, lessened, or remained the same as a result of the reorganization. At the time of our visit the reorganization had only been in place for about a year. Moreover, the difficulties encountered in getting an enacted fiscal year 1996 budget severely disrupted the entire Agency's operations during late 1995 through mid-1996, including Region I's.

In addition, the Region has not had enough operating history under its new structure for management integrity reviews and outside audits to detect actual or potential program and management integrity weaknesses. Nevertheless, as discussed below, some of the changes resulting from the reorganization have the potential to improve accountability and integrity, while others have the potential to lessen it.

RESOURCES AND MANAGEMENT INTEGRITY: Region I's decision to go to a multi media structure has put it out of synch with the Agency's budget, program and management structures which are still largely program and single-media based. As a result, questions have arisen regarding the Region's ability to charge its activities back to the appropriate program budget elements. To Region's I credit, during the reorganization it recognized this as an issue and took steps to develop a crosswalk from the former organizational structure to the current organizational structure. The Region believes that it is able to reliably charge its activities back to the appropriate program budget elements, although in some cases the linkage is not always as clear as they would like.

It should be noted that the Agency, as a whole, has always had some difficulties tracking its activities back to the Agency's individual program budget elements. This is especially true in recent years as the Agency has moved more and more toward a multi media orientation. However, Region I's reorganization seems to have exacerbated the problem. Finally, this issue may take on greater significance in the future because all Federal Agencies subject to the Chief Financial Officers Act (CFO Act) starting in fiscal year 1998 will be required to prepare financial statements that include their budgetary accounts. In turn, the OIG or an independent public accountant (IPA) will be required to audit the Agency's budgetary accounts and opine on their fairness. Should the OIG have serious reservations about the way we account for our budgetary resources they may raise issues in their audit report that will require the Agency to respond to Congress and OMB.

One other issue which deserves mention pertains to the Region's ability to focus its efforts and resources on those issues where it can add the most value. During our conversations with Region I employees and external stakeholders (States and Industry) we were told that the Region has too many initiatives. They thought the Region would be better off if it focused its efforts on three or four areas, rather than trying to do something everywhere. This inability to disinvest from some activities in order to concentrate on more value-added activities is not unique to Region I. All five regions that we visited mentioned this as a problem. As one individual characterized it, "EPA is a mile wide and an inch deep." Perhaps one of the factors contributing to this situation is that EPA needs to continue its base programs because of statutory requirements while also desiring to pursue other activities that it believes help it better fulfill its mission to protect the environment. Whatever the case, EPA needs to better target its efforts and resources toward those areas where it can add the most value, and to disinvest from those activities that are not high value added.

One major change involving resource management activities is that the Region transferred its planning functions from the resources management organization to its Office of Ecosystem Protection. Its budget office remains involved in the planning process, but no longer leads those efforts. The splitting of the planning and resource management functions is notable because NAPA's report, Setting Priorities, Getting Results, includes a recommendation that EPA merge the two Headquarters offices with leads for these functions, the Office of Policy Planning and Evaluation (OPPE) and the Office of Administration and Resources Management (OARM). EPA is responding to this recommendation by transferring OARM's Office of the Comptroller, OPPE's planning and evaluation functions, and a few other administrative functions from OARM to a new Office of the Chief Financial Officer (OCFO). Given these organizational changes taking place in Headquarters, some Headquarters officials are concerned that in splitting its planning and budgeting functions, Region I will be heading in a direction different from the rest of EPA. They are also concerned that splitting these functions may diminish the authority of the Region's Senior Resource Official.

PROGRAM ACCOUNTABILITY: For some programs, the reorganization may result in improved program accountability. However, it is too soon to reach a conclusion. In many cases, except for some small programs, the reorganization has resulted in the consolidation of like and complimentary functions into a single office. For example, the OSRR combines Superfund and emergency response activities. Previously, emergency response activities were included within the Region's Environmental Services Division. Similarly, with the exception of Superfund and UST technical staff, the Region's enforcement resources were consolidated into the OES. Previously, the Region's enforcement activities were spread out between various program offices and the Office of Regional Counsel. By consolidating these functions it should be easier to have clearer lines of communications between HQ and the Region, and to identify responsible parties. It should also help ensure that enforcement actions are consistent across programs.

For its multi media program office (OEP), Region I created four associate directors — one for air, water quality, waste, and groundwater and water policy— and designated them as the sole single senior managers (SSSMs) for their respective areas. The SSSM for pesticides is the Unit Chief, Pesticides, Toxics, and Radiation. The creation of these positions should provide a focal point of contact for Headquarters National Program Managers (NPMs).

The one area of concern is small programs. Both HQ and Regional staff noted that the reorganization broke up small programs such as pesticides. Although it is too soon to tell whether these small programs have been adversely effected, the issue deserves close management attention. If needed, consideration should be given to consolidating the Region's small programs into a single office so that they have sufficient visibility and critical mass.

OTHER ISSUES: Four other issues deserve mentioning. They are transition assistance, infrastructure planning and costs, and PPAs/PPGs/TEAs.

- **Transition Assistance:** Transition assistance concerns the types and amount of assistance, such as counseling and training, provided to employees before, during, and after the reorganization. Although the Region did provide some transition assistance to employees prior to the reorganization, most employees did not feel the transition assistance was enough. Senior management is aware of this issue and is taking steps to provide additional transition assistance to employees.
- **Infrastructure Support:** Infrastructure is related to the basic support services employees need to do their jobs such as physical office space, computers, telephone service, and the like. The Region encountered some problems in this area, as did the other four regional offices we visited. Due to the reorganization, a lot of people had to physically move from where they were to their new locations. They also needed to have their computers moved and their telephone service changed. This process involves a lot of detailed logistical work and can be very expensive to do. Moreover, the Region did not develop an implementation plan. As a result, the Region encountered some unexpected problems in getting people situated in their new positions. Part of this may have stemmed from the fact that the Region had planned to phase-in its reorganization, but due to the budget situation had to rush everything at the end.
- **PPAs/PPGs/TEAs:** Most of the States appear to support the concepts behind Performance Partnership Agreements (PPAs) and Performance Partnership Grants (PPGs), but expressed a variety of concerns regarding their implementation. Some of the States' more significant concerns were as follows:
 - PPGs are not broad enough and lack sufficient flexibility. For example, Superfund programs are excluded from grants.
 - Developing systems to measure results will be tough and will take time. Currently, almost all measurements are output related.

The Tribes we spoke to also generally supported the concepts behind Tribal Environmental Agreements (TEAs) and PPGs, but had several problems with them. These included:

- Lack of flexibility because they are too media specific;

- Lack of a holistic approach. The current process is too fragmented and requires submitting paperwork over and over again.
- Hard to get TEAs on paper and get started.

It is important to note that these issues are outside the Region's control, and therefore, not reflective of its management of PPA, PPG, and TEA issues.

APPENDIX 3

CONCERNS AND OBSERVATIONS OF HEADQUARTERS OFFICES

The following appendix summarize the results of the Review Team's interviews with managers and staff in the following Headquarters Offices:

- Office of Air and Radiation;
- Office of Administration and Resources Management;
- Office of the Chief Financial Officer;
- Office of Enforcement and Compliance Assurance;
- Office of the General Counsel;
- Office Policy, Planning, and Evaluation;
- Office of Prevention, Pesticides, and Toxic Substances;
- Office Regional Operations and State/Local Relations;
- Office of Solid Waste and Emergency Response; and
- Office of Water.

STRATEGIC PRIORITIES

This area focuses on how well the Regional reorganizations have positioned the Offices to carry out the broad, highest-priority areas/themes/goals/guiding principles, outlined in the Agency's FY95-99 Strategic Plan, for the current and future work of the Agency.

COMMUNITY-BASED ENVIRONMENTAL PROTECTION: The Team gathered perspectives about the handling of CBEP in Regional reorganizations primarily from two Headquarters offices, OPPE and OW. The Team drew three broad conclusions from these discussions:

- The Regions came up with a number of different structures to address CBEP;
- There are several factors which can help CBEP staff to be successful; and
- While there may have been extended down time during the reorganization process, the Regions are now all doing CBEP.

Some Headquarters input was provided on CBEP during the reorganization, especially by OPPE, but the Regions did not respond to the suggestions, apparently. The Regions, nevertheless, seemed to give considerable thought to the best ways to organize CBEP. A couple Regions ended up with a management-level steering committee and a staff-level core group addressing CBEP. Another Region uses a team approach, in addition to the core group. Other Regions have assigned responsibility to a particular division.

The Headquarters view is that CBEP is a tool, not a program. Therefore, while it is too soon to tell, any structure could be successful if there is adequate support from senior management. Success is likely to also depend on clearly defining CBEP objectives and the responsibilities of CBEP staff, where ever they are located, and providing them adequate resources and clout. OW stressed the importance of an agreement between the Regions and their States about which are the most important places to protect. OPPE suggested that, if the decision were to place CBEP in a media office, it not be the Water office for fear that the effort would be limited to Water issues. OPPE also suggested that the contributions of the Superfund program in the community relations arena need to be recognized by other parts of the Regions.

There were two other interesting observations.

- OPPE thinks that place-based offices tend to improve familiarity with local conditions and often promotes good communications with other Federal agencies, States, and local governments.
- The “20% for CBEP” principle has been misunderstood. Rather than requiring a strict accounting, the Deputy Administrator apparently intended to send a signal to the Regions that they needed to devote more of their staff to non-media specific activities.

POLLUTION PREVENTION: Headquarters OPPTS interviewees noted that consolidation of P2 efforts seems to work better than fragmentation of P2 by media. OPPTS specifically recognized Region VIII’s P2 program as working well. OPPTS noted, however, that pollution prevention is a tool, but people do not know exactly what it is or how to use it. They further noted that, with the exception of occasional small “boutique” programs, the States are not really doing pollution prevention. The Review Team did not receive other significant comments from Headquarters officials regarding to the impact of the Regional reorganizations on P2 efforts.

PARTNERSHIPS: Overall, Headquarters offices noted little concern about the effect of the Regional reorganizations on the relationship of the programs or their goals with the States and Tribes. Comments from Headquarters managers and staff related to the reorganizations’ effect on State partnerships were as diverse as the programs they manage. A number of managers from different program offices advised the Review Team that they had heard directly from State Officials about the confusion in the States resulting from the Regional reorganizations. They cited the tendency of some States to jump over their Regions directly to Headquarters with their calls. The Environmental Commissioners from the Northeastern States were given as an example of a group

with a strong tendency to call Washington. The State officials also complained that they do not know who is doing what in the Regions anymore.

ENFORCEMENT, COMPLIANCE, COUNSELING, AND ENVIRONMENTAL JUSTICE:

Regions were given options for reorganizing their enforcement and compliance assurance function. There has been a roughly even split among the Regions with some choosing an enforcement division model and others opting for an Enforcement Coordination Office. It is interesting to note that at least initially, one Headquarters office advocated for the creation of consolidated enforcement offices. However, they also had a concern about whether the program staff remaining in the Regional program office had "critical mass" after the removal of enforcement personnel. Another Headquarters office manager made a similar complaint - that it is difficult to maintain technical competence in small technical programs when the enforcement staffs and program staffs are separated.

According to OECA, early results indicate that the enforcement division option may be more effective in promoting enforcement and compliance assurance, although the results have been a mixed bag. Also, coordination between OECA and the Regions seems more difficult with those Regions which selected the Enforcement Coordination Office option; ECOs seem to have less clout. On the other hand, coordination was initially more difficult with the reorganized Region VIII because it was difficult to identify Regional contacts. Coordination is also complicated by the existence of two different structures in the Regions.

However, again according to OECA, it is certainly too soon to tell. From OECA's experience, even two years may not be sufficient time for all aspects of the reorganization to take hold and for it to be fair to make judgements about the success or failure of elements of the reorganizations. It does seem, however, that multimedia enforcement is profiting from all the reorganizations.

It is difficult to tie reorganizations to enforcement output. Overall, FY95 has been much weaker than FY94, an enforcement banner year. Compared to the year before, only 50% of the judicial cases were filed in FY95 and the administrative cases were down 25%. While it is too soon to tell, there are some indications that those Regions with enforcement divisions may have an edge in case production.

There is a belief that enforcement resources are being tapped for other purposes. As with some other programs, enforcement resources are frequently tapped for new initiatives; this continuing practice has significant impact over time. For example, Region X should have 98 FTE coming from OECA; however, only 70 can be accounted for, according to a Regional pilot study.

OECA thinks that the Regions are collecting adequate information. They are getting compliance assistance statistics and compliance rate information by industrial sectors, in addition to enforcement figures. However, it has been more difficult gathering needed information in Regions with ECOs. Without the DRA's active support, the ECOs may not have enough influence within the Regional Office to consistently get needed information. It is probably also too early to determine whether the negotiation of the MOA is easier with one organizational plan than another, once again, the ECOs seem to have a tougher time effectively coordinating with the program offices.

A representative of another Headquarters office said it was too soon to tell about the success of the different enforcement organizations, although the drop in enforcement numbers is not promising. He also complained the OECA did not coordinate well with other Headquarters offices in planning the Regional reorganization effort.

Counseling: In our early discussion with representatives of the Office of General Counsel, the Team learned that they were interested in the outcome of our study because they did not yet have a strong sense of the results of the reorganizations as they affected counseling activities. ("Counseling" is used here to mean the activities of lawyers in the Regions who provide advice to program clients about the media programs and various general law areas such as grants, contracts, appropriations, information law, employment law, cross-cutting statutes, property, and claims. The advice includes interpretations of statutes and regulations; the assessment of legal risks; and counseling about defensive litigation and related administrative adjudication. Such work is directly analogous to the much of the work performed by OGC).

The participants did note that the resolution of management issues concerning the Agency's lawyers is made more difficult by some Regional lawyers' working in two or three different offices. Also, it is advantageous to OGC when its attorneys can call a single Regional legal expert who is able to speak authoritatively about both counseling and enforcement matters. However, they thought that the Team might find that legal counseling advice may be more objective, generally speaking, when enforcement and counseling functions are separated.

It has been difficult for OGC to assess the impact of various reorganizations on Regional XL, CSI, CBEP, or other important strategic initiatives. However, it does appear that the Regions where counseling and enforcement legal functions have been separated, there is less flexibility than before in managing legal issues. In particular, in Regions I, VI, and VIII, the pool of lawyers available to do counseling work is more limited, and generally inadequate. There is inadequate depth of available expertise in many counseling areas.

Another Headquarters office representative considers counseling the "soft underbelly" in all ten Regions - it needs to be stronger. However, this was a condition which predated the reorganizations.

Environmental Justice: No one at Headquarters was interviewed specifically to gather Headquarters perspectives about EJ in reorganized Regions.

REINVENTION PRIORITIES

*This area focuses on how well the Regional reorganizations have positioned the Offices to comply with EPA's reinvention guidance and achieve the Agency's reinvention goals: **Shared Vision and Values; Customer Focus; Diversity; Working Collaboratively; and Streamlined and Strengthened Organizational Designs.***

Headquarters managers and staff did not have much feedback on how the Regional reorganizations have positioned to achieve EPA's reinvention goals, with the exception of Streamlined and Strengthened Organizational Design. Related to Organizational Design, their comments and concerns centered mainly around those issues embodied in three of EPA's organizational attributes: Accountability; Communication and Coordination; and Integrity, Efficiency and Effectiveness.

ACCOUNTABILITY: Many of Headquarters managers and staff are concerned that accountability has been weakened as a result of the Regional reorganizations. Even nearly a year after the reorganizations have been in place, they still are not sure who in the Regions are responsible and accountable for the various programs, functions, and activities. In the Regions which moved away from the traditional single-media structure, Headquarters managers are concerned about their ability to track resources and ensure program results.

COMMUNICATION AND COORDINATION: Many Headquarters commenters expressed great frustration with communication and coordination: Who do they call for information? Who does what in the Regions? One AA commented that he has received complaints from State officials that they do not know who is doing what in the Regional Offices anymore. While some acknowledged that this confusion will diminish over time, they also noted that the short-term disruption to program delivery has been enormous.

INTEGRITY, EFFICIENCY, AND EFFECTIVENESS: Transaction costs are of enormous concerns to Headquarters. Almost every National Program Manager cited the greater difficulty in scheduling national meetings since the Regional reorganizations. Most indicated that the number of Regional attendees at these meetings has tripled, since programs have been broken up and require multiple representatives now. This makes the meetings not only more expensive, but more difficult to manage as well. One AA expressed frustration that he has not seen the same person from Region VIII at any of the national meetings.

Headquarters managers are also gravely concerned about the integrity of small programs in the Regions. Small programs, such as pesticides, LUST, CEPP, and Oil Spills, were broken up in some of the Regional reorganizations. As a result, Headquarters is concerned that these programs may have lost their critical mass for operating effectively. The Regional reorganizations may have exacerbated long-standing problems associated with the management of small programs.

Historically, because of the limited resources devoted to small programs, they programs have lacked a separate identity. By splitting up these programs, Headquarters contends that it is hard to identify who to contact, and the programs do not get the attention they deserve. It is worth noting that some Regional staff and State representatives who work on small programs raised this concern as well.

ACCOUNTABILITY AND INTEGRITY

This area focuses on whether the Regional reorganizations have positioned the Offices to establish appropriate organizational structures, policies, and procedures to provide reasonable assurance that the goals/objectives of Agency senior leaders are carried out effectively, efficiently, and in compliance with applicable laws, regulations, and central agency guidance.

In our discussions with Headquarters Offices, almost all of them voiced concerns about the effects the Regional reorganizations might have or were having on resources management, management integrity, or program accountability. However, all the Offices noted that it was too soon to draw any definitive conclusions at this time. This was primarily because the reorganizations have only been in place for about one year, and therefore, information on how well they were working was scant.

RESOURCE MANAGEMENT: The Headquarters Offices the Team spoke to raised two major concerns. These were accounting for budgetary resources and the splitting of planning and budgeting functions.

Almost all of the Headquarters Offices expressed concerns about the ability of the Regions to properly charge their activities to the appropriate program budget elements. This was especially true for those Regional Offices that went to a more multi-media organizational structure. Their concerns were twofold. First, the Government Performance and Results Act (GPRA), which requires Federal Agencies to report on program performance by developing appropriate performance measures, is due to be implemented beginning with fiscal year 1999. This will require that the Agency have reliable cost information for programs. Second, the Assistant Administrators (AAs) feel that they need to have good budget and program information when they have to go to Congress to testify regarding their programs.

OCFO representatives told us that they thought it was too soon to evaluate how well the Regions are accounting for their budgetary resources. They noted that they had not yet received the results from the financial statements audit, nor had they received the integrity reports for fiscal year 1996. Furthermore, they stated that the chaotic budget process that EPA went through this year — two shutdowns and 14 Continuing Resolutions (CRs) — only makes the situation even more murky.

In our discussion with Office of the Chief Financial Officer, we were told the Agency has always had activities that fall outside of the program element structure, but that EPA seems to be engaging in more such activities. For sometime now, Agency management has been aware of the difficulties of trying to trace the Agency's activities, especially initiatives, back to individual program budget elements. Thus, properly accounting for budgetary resources is not solely a Regional office issue; it is an Agency-wide issue.

One step OCFO is taking to address the issue is to have a program element structure that can better accommodate multi-media type activities. In addition, the Agency currently has a Truth in Budgeting pilot going on in Regions I, III, and X. The objective of this pilot is to improve the Agency's capabilities to properly account for budgetary resources.

A few Headquarters Offices also voiced concern that some Regions had split their planning and budgeting functions as part of their reorganizations. This is contrary to the direction the Agency is currently going, which is to better integrate planning and budgeting. The Team heard that this action has had the effect of diminishing the affected Senior Resource Official's (SRO) authority. EPA created the SRO position in order to consolidate all resources management responsibilities under a single senior agency manager for each AAship/Regional Office so that these issues received the attention they deserve. By moving the budget formulation functions outside the SRO's direct authority, which these actions have done, the SRO's authority has been weakened.

MANAGEMENT INTEGRITY: Several Headquarters Offices raised some management integrity issues related to the Regional offices' reorganizations. Their concerns pertained to new managers and staff that do not understand the programs they have been assigned to, span of control problems, and inadequate segregation of duties.

As part of their reorganizations, all the Regional Offices the Team visited had reassigned staff to programs/areas outside their sphere of competence. For some Regional Offices and for some programs/areas a significant amount of staff, including supervisors, were reassigned. For some areas, both the supervisors and many of the staff were new to the area. As a result, they lack the institutional memory and expertise to conduct the needed work in a competent fashion. These conditions increase the likelihood that mistakes may be made.

The Team also heard that some staff were not being adequately supervised because the supervisors had too many staff and/or too many programs/areas for them to be effectively managed. This condition is largely attributable to the requirement to have only one supervisor for every 11 employees. In order to meet these requirement some supervisors, especially first line supervisors, ended up with more than 11 employees. For example, during our visits we were often told that first line managers had at least 15 to 20 people to supervise, and we heard of several instances where the ratio was 35 or 40 to 1. In addition, the Team was also told that some supervisors had too many programs under their control for them to have sufficient knowledge to make informed decisions. As a consequence, staff were not always being effectively supervised.

The Team were also told that some Regional Offices in their quest to streamline and reinvent their processes, may have gone too far. As a result, there may be situations where there is an inadequate

separation of duties, or to put it another way a person may be performing incompatible functions. One of the fundamental principles of internal control is to divide up tasks among individuals so that no one performs a task from beginning to end. The thinking behind this concept is that by dividing tasks up among two or more people, the probability that errors, abuses, and fraud will occur is reduced. Furthermore, should they occur they are more likely to be detected. For example, one of the Regions combined their procurement and facilities functions into one office.

PROGRAM ACCOUNTABILITY: From the Headquarters program offices' perspective, program accountability primarily concerns the duties or obligations the Regional Offices have to the NPMs, and includes such subjects as:

- Who in the Regional Office is accountable to the NPM?
- Who in the Regional Office should the NPM contact for information?
- Are resources that were provided being used consistent with the Memorandum of Agreement (MOA)?
- Are Agency program policies being consistently applied within and between Regional Offices?

The basic concern the Headquarters program offices expressed to us is that there is no clear Agency accountability structure to ensure that the above issues are being adequately addressed. EPA has never clearly defined what duties or obligations the Regions have to the NPMs. The Team was told by several Headquarters program offices that the AAs have to go to Congress and defend the programs. Yet, no one asked what do they need for Regional accountability?

In the opinion of the Headquarters program offices the Regional reorganizations have exacerbated the situation because, in reorganizing, the Regions split some programs between two or more organizational units. As a result, all of the Headquarters program offices the Team spoke to said that it was not always clear who in the Regional Office was accountable to them for their programs. Also, because the Regions spread out the resources they receive from a given NPM among several organizational units, it makes it harder for the NPMs to know where their resources are going.

To deal with the situation, one Headquarters program office stated that they were using management agreements with the Regional Administrators regarding what they wanted to accomplish annually. However, using management agreements is not a panacea because all of the Assistant Administrators are negotiating them at different times of the year and they have different time horizons. As a result, the Regions cannot balance them. If the management agreements were subjected to technical analysis, the work would add up to more than we have people in the Regions to do. They are never realistic. Moreover, management agreements should not tie up more than 90% of the Regions resources to allow 10% flexibility.

In addition to the issues mentioned above, all the Headquarters program offices mentioned that the Regional reorganizations had caused an increase in transaction costs. This is because programs were

split between more than one organizational unit in the Regions. As a consequence, instead of talking to one person, the Headquarters Offices have to talk to two or more persons. The Team heard from at least two program offices that for their national meetings they have to invite 3 people from each Regional office, or a total of 30 people. Before the reorganizations they only had to invite 10 people or one from each Regional office. This makes it harder to coordinate national meetings and increases their costs.

PROCESSES FOR REORGANIZING

DESCRIPTION: *This section focuses on the processes the Regional Offices used to design, implement, and evaluate their new organizational structures, and the processes the Regional Offices used to move managers and staff into new positions and/or new organizations resulting from the reorganization.*

Headquarters managers and staff had extensive comments on the Region's processes for reorganizing. Most of their comments were highly critical of the Region's processes for reorganizing. Most AAs generally felt that the Regions had been kept them adequately informed about what they were doing. Below the AA level, however, Headquarters managers and staff felt that more communication from the Region would have been helpful. One Headquarters manager best summed up this point: "Communication was not adequate at the 'tire meets the road level' in terms of how the Regions were going to work under these structures."

They felt that when the Regional Offices were reorganizing, Headquarters Offices were not considered "customers," and were not involved during the early design stages. Although the Agency's reinvention guidance advised reorganizing offices to "consult early on with other affected Headquarters and Regional Offices..." a number of Headquarters managers and staff felt that Headquarters was viewed as an afterthought. In fact, several opined, by the time they saw the reorganization proposals, the designs were "a done deal" and any concerns raised by Headquarters — legitimate or not — were seen as obstacles to get around.

Further, Headquarters program officials expressed unhappiness that some Regional Offices did not complete all the agreed-upon front-end analytical work that was expected for the proposals. The front-end work would have demonstrated, for example, how the Regional Offices would integrate their new multi-media activities with the traditional national programs.

Many in Headquarters felt that because of the rush to reorganize by the Deputy Administrator's September 30, 1995, deadline, some reorganization proposals were not well thought out. This has led to a rough transition during implementation of the reorganizations.

Some staff, and a few managers, in Headquarters noted that morale has been affected in the Regions since the reorganizations, and that it seems to be quite poor. Two Headquarters managers advised that they were requested to visit Regions I and VIII to “be a cheerleader” and boost the morale of staff.

Headquarters commenters felt that the Region’s decisions to move managers and staff to new programs and positions was not necessarily a bad idea, but the changes should have been phased in. They believe phasing the changes in would help the new people who lack program-specific knowledge and experience, ensure continued program delivery, and ease the transition difficulties. In fact, they could not stress enough that for any office which plans to make radical changes in personnel to pay more attention to transition than the Regions did in FY 1995.

AGENCY REVIEW/COMMENT PROCESS: Headquarters managers and staff also had concerns about the Agency’s review and comment process on reorganization proposals. They expressed unhappiness with some of the Regional Offices for not completing all the agreed-upon front-end analytical work that was expected for the proposals. In addition, they noted conflicting tensions about their review of reorganization proposals during FY 1995. Since many Regions did not conduct adequate advance work, many Headquarters officials were seeing the basic components of the proposed reorganization for the first time during the expedited 10-day review period. These officials felt they had to review the reorganizations as quickly as possible to meet the 10-day time frame, *and* still conduct thorough analyses to identify important issues and potential problems in proposals they were seeing for the first time. Most agree that this review process is flawed (both the process and the time frames) and should be revised, based on their experiences during FY 1995.

Several senior managers in Headquarters also expressed reservation about the quality of the central organizational analysis from OARM. In particular, they felt that OARM analysis focused too much on “small issues” such as organizational and position titling, and missed bigger issues such as a reorganization’s affect on the Agency’s regulatory process. OARM managers acknowledged the limited analysis. They offered a variety of possible explanations about why this happened so that the Agency could learn for the future: The volume of work to be done was too much for the OARM staff charged with reviewing the plans. Moreover, the group responsible for reviewing the plans experienced much staff turnover, and the new staff lacked sufficient knowledge of the Agency’s organizational structure, delegations of authority, program expertise, regulatory processes, and relationships with the States to adequately review the proposals. Further, OARM usually trusts the offices across EPA which are responsible for Agency processes — such as OPPE for regulatory processes and OC for resource allocation — to look at and comment on issues related to their processes.

APPENDIX 4

GLOSSARY OF TERMS

COMMUNITY-BASED ENVIRONMENTAL PROTECTION (CBEP)

CBEP is an approach that EPA is taking to improve the effectiveness of its nation-wide regulations and other environmental programs. With CBEP, the Agency's goals are to assess and manage the quality of air, water, land and living resources *in a place as a whole*, to better reflect Regional and local conditions, and to *work more effectively with our many partners* in environmental protection — public and private. The CBEP approach tailors environmental programs to address the problems of a particular watershed, ecosystem, or other place. CBEP is designed to maximize the use of scarce resources, encourage local support, and consider the economic well-being of communities. The three components of CBEP are:

- 1) **GEOGRAPHIC FOCUS:** allows for a more comprehensive approach to environmental protection.
- 2) **FOCUS ON ENVIRONMENTAL RESULTS:** to measure environmental improvement in the area of concern.
- 3) **PARTNERSHIPS AND STAKEHOLDER INVOLVEMENT:** from all levels of government, public interest groups, industry, academic institutions, private landowners, concerned citizens, and others.

CBEP is the latest iteration of Ecosystems Protection, which is one of the guiding principles in EPA's FY 1995-99 Strategic Plan.

COUNSELING

For purposes of the Innovative Regional Structures Review, "counseling" is used to mean the activities of the lawyers in the Regional Offices who provide advice to program clients about the media programs and various general law areas such as grants, contracts, appropriations, information law, employment law, cross-cutting statutes, property, and claims. The advice includes interpretations of statutes and regulations; the assessment of legal risks; and counseling about defensive litigation and related administrative adjudication.

ENVIRONMENTAL JUSTICE (Formerly Environmental Equity)

Environmental Justice is the principle that individuals and communities will be treated equitably under environmental laws, policies, and regulations, and that the benefits of environmental

protection are shared by everyone. In its FY95-99 Strategic Plan, EPA includes Environmental Justice as one of its “guiding principles” because of concern that the remedies the Agency adopted to upgrade environmental quality during the past two decades did not always benefit all communities or all populations within a community. Many minority, low-income, or Native American communities raised concerns that they suffer a disproportionate burden of health consequences due to the siting of industrial plants and waste dumps, and from exposures to pesticides or other toxic chemicals at home and on the job, and that environmental programs do not adequately address these disproportionate exposures.

REINVENTION GOALS:

EPA’s reinvention guidance, Reinventing EPA — Steps Toward a Stronger Workforce, lays out five “reinvention goals” for the Agency to achieve in order to affect organizational, management, and cultural change. These goals are:

- **SHARED VISION AND VALUES:** A shared picture of the organization’s desired future (vision), and the operating principles that are important for working within the organization (organizational values and behaviors).
- **CUSTOMER FOCUS:** Conducting business so that everything done supports the ability of front-line workers, inside and outside EPA, to deliver improved environmental results to stakeholders. [Customer focus applies in all reinvention activities, including determining the organizational vision and values, working collaboratively, teamwork, organizational design, process re-engineering.]
- **DIVERSITY:** Having, utilizing, and valuing diversity throughout the organization at all levels and in all program activities.
- **WORKING COLLABORATIVELY:** Managers and staff working trusting each other to work toward a shared vision.
 1. **Empowerment:** Providing employees with the knowledge, skills, authority, accountability, and capacity to achieve quality results.
 2. **Teams:** Working collaboratively within the organization and across organizations, using groups of people with complementary skills who hold themselves mutually accountable for their performance.
 3. **Management Behavior:** Redefining the roles and skills of managers so they are coaches and facilitators who remove barriers to employee productivity and creativity.

- **ORGANIZATIONAL DESIGN:** Achieving flexible, flatter structures that enable the organization to better adapt to change and respond to new opportunities more effectively than the ones which are compartmentalized and rigid. Required components of this goal are:
 1. Reduced Organizational Layers—Minimizing the number of management layers between the people doing the work and the decision-makers.
 2. 1:11 Supervisor-to-Employee Ratio—Having an average supervisor to employee ratio of 1:11 in each AA/RAShip by 9/30/96.
 3. “Headquarters”/Administrative Staff Redeployment—Where appropriate, redeploying current supervisors and OMB-designated administrative and “Headquarters” personnel to positions directly impacting customer service by 1999. In this sense, “Headquarters” does not necessarily refer to functions performed at EPA Headquarters in Washington, D.C., but rather to those functions performed by central administrative or oversight units, or “immediate offices.”
 4. Flexibility—An organizational structure that readily accommodates the need for changes in the mission, number, and composition of teams.
 5. Attributes—EPA senior leadership is giving special emphasis to the following characteristics, which apply to the way the Agency conducts its business and structures its organizations: *Accountability; Communication and Coordination; Customer Focus; Integrity, Efficiency and Effectiveness; Measurement and Evaluation; and Reinvention and Streamlining.*

STRATEGIC GOALS AND GUIDING PRINCIPLES:

EPA’s FY 1995-99 Strategic Plan, The New Generation of Environmental Protection, lays out 13 draft national environmental goals developed by EPA’s National Environmental Goals Project and seven “guiding principles” developed by EPA senior management for guiding how EPA will achieve its goals.

NATIONAL ENVIRONMENTAL GOAL AREAS: These goals, which have since been updated, were a preliminary list of goal areas (presented in alphabetical order) which encompass a range of environmental concerns critical to EPA and the country:

- Clean Air
- Clean Surface Water
- Cleanup of Contaminated Sites
- Climate Change
- Ecological Protection
- Improved Understanding of the Environment

- Prevention of Oil Spills and Chemical Accidents
- Prevention of Wastes and Harmful Chemical Releases
- Safe Drinking Water
- Safe Food
- Safe Indoor Environments
- Stratospheric Ozone Layer Protection
- Worker Safety

GUIDING PRINCIPLES: EPA senior management identified the seven principles for how the Agency will achieve its national environmental goals. Because the goals were in draft at the time the Strategic Plan went to press, the Plan devotes more detail to the guiding principles. The principles are not listed in order of priority, i.e., principle 7 is as high a priority as principle 1.

1. **ECOSYSTEM PROTECTION:** EPA will encourage ecosystem management and economic development that promotes the health and productivity of natural systems. The long-term mutual interdependence of human and ecosystem health, as well as economic prosperity, will be a major premise of EPA's commitment in this area.
2. **ENVIRONMENTAL JUSTICE:** EPA will work to ensure that individuals and communities are treated equitably under environmental laws, policies, and regulations, and that the benefits of environmental protection are shared by everyone.
3. **POLLUTION PREVENTION:** EPA will work to prevent pollution by: incorporating prevention into the Agency's mainstream environmental programs; strengthening partnerships with State, Tribal, and local governments; the private sector, and other Federal agencies; providing information to the public; encouraging technology innovation and diffusion; and, where necessary, working to change existing environmental legislation. The Agency will anticipate and address future environmental issues before they become problems.
4. **STRONG SCIENCE AND DATA:** EPA will employ the best possible science, invest strategically in research and development for the future, foster a productive dialogue with the public about science and risk, and ensure that data are integrated and information is available to support comprehensive environmental protection. To be credible and effective, EPA policies, programs, and actions will be based on sound data and research from physical, biological, and social sciences.
5. **PARTNERSHIPS:** EPA will work in partnership with its stakeholders — Federal, Tribal, State and local agencies, Congress, private industry, public interest groups, and citizens — to develop the technology and capacity for carrying out environmental programs and policies that are sensible, innovative, and flexible.
6. **REINVENTING EPA MANAGEMENT:** EPA will strive to make itself known as one of the best-managed agencies in the Federal Government. In an era of rapid technological change and tight budgets, the public expects EPA to manage its

resources, infrastructure, and processes with integrity and maximum effectiveness. EPA will seek to manage for better results, streamline its programs, and use savings to strengthen existing programs and invest resources in emerging high risk areas. EPA will emphasize employee development, empowerment, and diversity.

7. **ENVIRONMENTAL ACCOUNTABILITY:** EPA will stress that everyone in society is accountable for protecting and enhancing the environment. The cornerstone of EPA's effort will be a strong compliance and enforcement program. The Agency will promote responsible environmental behavior by: setting out clear compliance requirements for the regulated community and communicating them through comprehensive guidelines and technical assistance; aggressively responding to noncompliance so that violators are penalized; and encouraging others in the regulated community to meet their obligations. In addition, the Agency will provide information, education, and environmental data that inform the public, and thereby the regulated community, and promote the kind of responsible behavior that leads to and beyond compliance with the nation's environmental laws.