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BEFORE THE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
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Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify today about the proposed reorganization of the Minerals Management Service (MMS) at the Department of the Interior (Department or DOI).

As you well know, we have identified in MMS programmatic weaknesses and some egregious misconduct, the latter of which has received considerable coverage in the press and scrutiny by a number of Congressional committees.

In the report released in May of this year, we found more of the same. Although the misconduct is considerably less salacious than that in our report issued in 2008 about misconduct in the Royalty in Kind program, both highlight a challenge that the successor agencies to MMS face – that is, the potential conflicts of a regulatory body that is inherently tied to the industry that it regulates.

I am concerned about the environment in which these federal employees operate, and the ease with which they move between industry and government. I am also concerned about the conduct of industry representatives, something we also identified in our 2008 report; that they should think it permissible to fraternize and provide Federal Government employees with gifts, after all the media coverage about this practice, is somewhat hard to fathom, but may be informed by the environment, as well. While not included in our May 2010 report, we discovered that the individuals involved in the fraternizing and gift exchange – both government and industry – have often known one another since childhood. Their relationships were formed well before they joined industry or government. MMS has relied upon the ability to hire

employees with industry experience, and in my experience in this arena over the past three months, the MMS employees I have met who have come from industry are highly professional, extremely knowledgeable, and passionate about the job they do.

With the announcement that MMS will be split into two distinct bureaus under the Assistant Secretary for Land and Minerals Management and a third independent office for the collection of royalties under the Assistant Secretary for Policy, Management and Budget, the Department is poised to reconsider some of our recommendations for programmatic improvements. These must, however, be bolstered with an emphasis on ethics, to include controls and strong oversight.

Let me focus on the last element of strong oversight. In the fall of 2008, Inspector General Earl Devaney testified before the Committee on Natural Resources, describing what was then a fledgling office within the OIG, now called our Royalty Initiatives Group (RIG). Since that time, we have also established an investigative unit dedicated to energy issues, and have expanded our oversight coverage beyond MMS to the energy and minerals programs at the Bureau of Land Management. Until recently, these two offices have been dedicated to royalties-related oversight and improvements. Since the events of April 20th, it has become increasingly clear that we must expand their scope to provide oversight of the operational, environmental, safety, inspection and enforcement aspects of energy production on federal lands and in the OCS.

We are also hopeful that the newly-created Investigation and Review Unit (IRU) will provide an additional element of oversight to the successor MMS agencies. The OIG is, to a significant degree, reactive in our investigative efforts. We hope that the IRU will provide continuous compliance review of the program offices to identify potential weaknesses before they become serious problems. We also rely on the bureaus to conduct internal investigations

and reviews of allegations which simply do not rise to the level of OIG attention. The IRU will be a dedicated point of contact to which we can refer such matters.

Presently, the OIG is well into a multi-pronged effort to address multiple areas of concern relative to offshore drilling. We have dedicated most of our Central Region staff to this undertaking. We are also participating in the investigations being led by the Department of Justice into the events that led to the disaster on the *Deepwater Horizon* and the catastrophic events following. In addition to these efforts, we will continue building our oversight capacity beyond royalties, into the areas of safety and oversight of drilling operations, both off and onshore.

The ongoing OIG efforts regarding OCS safety and environmental concerns are also addressing a two-pronged request from Secretary Salazar. First, to the Outer Continental Shelf Safety Oversight Board, a body created by Secretarial order on April 30 of this year, to provide oversight, support and resources to MMS relative to its Joint Investigation with the Coast Guard into the *Deepwater Horizon* catastrophe, the Secretary requested that the Board make recommendations to improve and strengthen the Department's overall management, regulation, and oversight of OCS operations. Second, the Secretary asked the OIG to address specific deficiencies in MMS policies or practices that need to be addressed to ensure that operations in the OCS are conducted safely, protective of human life, health and the environment. Since these two requests were so similar in scope, the OIG effort will respond two-fold to these requests by the Secretary. While we will provide the Safety Oversight Board our findings and recommendations by mid-August, we have already found several areas that call for further review, and we will continue to pursue these to conclusion.

Mr. Chairman, this concludes my prepared testimony today. I would be happy to answer any questions that you or other members have.