



**U.S. Department of the Interior
Office of Inspector General**

SURVEY REPORT

OVERSIGHT ACTIVITIES OF THE TRANS-ALASKA PIPELINE SYSTEM, BUREAU OF LAND MANAGEMENT

**REPORT NO. 01-I-206
FEBRUARY 2001**

EXECUTIVE SUMMARY

**Oversight Activities of the Trans-Alaska Pipeline System,
Bureau of Land Management
Report No. 01-I-206
February 2001**

The 800-mile Trans-Alaska Pipeline System (TAPS), which is operated by the Alyeska Pipeline Service Company, transports almost 20 percent of the Nation's domestically produced oil. Federal and State of Alaska agencies are required to ensure that TAPS operates safely, that oil spills are responded to timely, and that the environment is protected. One of these agencies, the Bureau of Land Management (BLM), enforces a Federal right-of-way Agreement on Federal lands, and another agency, the Alaska Department of Natural Resources, enforces the State's lease on State-owned and private land. In 1990, BLM and the Alaska Department of Natural Resources created the Joint Pipeline Office (JPO) to better coordinate Federal and State pipeline regulatory efforts.

The objective of the survey was to determine whether BLM adequately resolved deficiencies previously identified in TAPS.

We found that JPO took action to close all but 4 of 4,920 previously identified deficiencies, and after completion of our audit fieldwork, JPO reported that 1 of the remaining 4 items was closed. We also noted that JPO was developing a centralized data base to document its oversight activities, such as inspections conducted and deficiencies cited; JPO needs to take steps to ensure that information presented in its reports is accurate and supported; and JPO access to information from an Alyeska data base that identified TAPS maintenance records would aid in scheduling its monitoring of activities. Also, in July 1999, a private interest group made 44 allegations against JPO and Alyeska regarding the mismanagement of TAPS, which included electrical violations, materials that could not be traced to authorized suppliers, and improper inspector certifications. Based on our analyses of a matrix of these allegations prepared by JPO and a report prepared by Alyeska's consultant, we determined that the allegations were not supported, were already known, or were being addressed by JPO or Alyeska.

We recommended that JPO (1) complete implementation of the centralized data base, (2) implement an internal quality control review process, and (3) obtain better access to maintenance data in Alyeska's data base.

AUDITEE COMMENTS AND OFFICE OF INSPECTOR GENERAL EVALUATION

BLM concurred with the report's three recommendations and agreed to take the recommended corrective actions. Based on the response, the recommendations were considered resolved but not implemented.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

SURVEY REPORT

FEB 7 2001

Memorandum

To: Director, Bureau of Land Management

From: Roger La Rouché *Roger La Rouché*
Acting Assistant Inspector General for Audits

Subject: Survey Report on Oversight Activities of the Trans-Alaska Pipeline System,
Bureau of Land Management (No. 01-I-206)

INTRODUCTION

This report presents the results of our survey of the Bureau of Land Management's (BLM) oversight activities of the Trans-Alaska Pipeline System (TAPS). The objective of the survey was to determine whether BLM adequately resolved deficiencies previously identified in TAPS.

BACKGROUND

TAPS, which is operated by the Alyeska Pipeline Service Company, transports almost 20 percent of the Nation's domestically produced oil. The 800-mile pipeline extends from Prudhoe Bay, north of the Arctic Circle, over Federal, State of Alaska, and private lands, to the Port of Valdez on Prince William Sound. It crosses permafrost, 3 mountain ranges, about 800 rivers and streams, and 3 seismic fault zones. Alyeska operates the pipeline for seven owner companies.¹

Pursuant to the provisions of the Trans-Alaska Pipeline Authorization Act of 1973 (43 U.S.C. §1651), the United States, acting through the Secretary of the Interior, executed the Agreement and Grant of Right-of-Way² for Federal land on January 23, 1974 with the seven oil companies. The Agreement expires on January 22, 2004. In addition, the State executed a lease with the original seven oil companies for a right-of-way on State lands. The rights-of-

¹As of the time of our review, the seven companies were BP Pipelines (Alaska), Inc.; ARCO Transportation Alaska, Inc.; Exxon Pipeline Company; Mobil Alaska Pipeline Company; Amerada Hess Pipeline Corporation; Phillips Alaska Pipeline Corporation; and Unocal Pipeline Company.

²The complete title for the Agreement and Grant of Right-of-Way is "Agreement and Grant of Right-of-Way for Trans-Alaska Pipeline between the United States of America and Amerada Hess Corporation, ARCO Pipe Line Company, Exxon Pipeline Company, Mobil Alaska Pipeline Company, Phillips Petroleum Company, Sohio Pipe Line Company, and Union Alaska Pipeline Company."

way were granted for the purpose of constructing, operating, and maintaining an oil transportation pipeline consisting of one line of 48-inch-diameter pipe and related facilities. In addition, the Agreement for TAPS identifies the responsibilities, authorities, and requirements of all of the parties. According to the Agreement, the oil companies are required to ensure full compliance with all Federal laws and regulations and all provisions of the Agreement, including 47 stipulations that address areas such as fire prevention and suppression, health and safety, and contingency plans. Federal and State agencies are required to monitor and enforce the laws, requirements, and regulations intended to ensure that TAPS operates safely, that oil spills are responded to timely, and that the environment is protected. These agencies include BLM, which is responsible for enforcing the Federal right-of-way Agreement on Federal lands, and Alaska's Department of Natural Resources, which enforces the State's lease on State-owned and private land. The Department of Transportation's Office of Pipeline Safety is responsible for overseeing the operational safety of the entire pipeline under the Hazardous Liquid Pipeline Safety Act (49 U.S.C. § 60108).

In addition, the Environmental Protection Agency and the Alaska Department of Environmental Conservation are responsible for enforcing environmental regulations such as the Clean Water Act (33 U.S.C. §1251) along the pipeline and at the Valdez Marine Terminal in Valdez, Alaska. In 1990, BLM and the Alaska Department of Natural Resources created the JPO to better coordinate Federal and State pipeline regulatory efforts. JPO is funded primarily by BLM and the Alaska Department of Natural Resources. Alyeska is required, however, to reimburse BLM for all reasonable costs related to overseeing the pipeline, and by agreement, Alyeska began in 1990 to reimburse Alaska for part of its costs. Staff are provided by BLM, other Federal agencies, and several State agencies. JPO's costs were \$2.7 million in 1997 and \$3.3 million in 1998 (Federal and State agencies that have responsibilities regarding TAPS are in Appendix 1).

Previously Identified Pipeline Deficiencies

The July 1991 General Accounting Office report titled "Trans-Alaska Pipeline Regulators Have Not Ensured That Government Requirements Are Being Met" (No. GAO/RCED-91-89) stated that the grounding of the *Exxon Valdez* in March 1989 and its resultant oil spill and discovery of corrosion along the pipeline focused more attention and concern on the risks associated with transporting oil. The report also stated:

To successfully fulfill their oversight responsibilities, the five regulatory agencies can no longer be content with relying on Alyeska to police itself. The complacency that has existed in the past must be replaced with a systematic, disciplined, coordinated approach that will ensure TAPS' operational safety, oil spill response, and environmental protection. The formation of the joint office as well as recent increases in staffing levels by BLM and other agencies are encouraging signs that more oversight attention will be paid to TAPS' activities in the future.

In 1993, Alyeska and JPO each hired consultants to provide audits of the operations of the pipeline. These audit reports and subsequent technical reports (see Appendix 2) presented

4,920 audit action items that identified deficiencies in pipeline operations. In 1994, one consultant categorized the audit deficiencies based on priority levels and entered the information into the audit compliance tracking system, which was used by both Alyeska and JPO to track the audit findings. JPO uses definitions for the priority levels as follows:

Priority 1 (P-1) - Those structures, systems, and components which prevent or mitigate the consequences of an accident or natural event which could cause significant harm to the health and safety of the public, significant harm to the environment, or significant loss of pipeline integrity.

Priority 2 (P-2) - Those structures, systems, and components that do not meet the definition of P-1, but which are important for compliance with regulations regarding safety and the environment, and for the reliable transport of oil. This level requires selected application of quality program elements.

Priority 3 (P-3) - Those structures, systems, and components that by themselves would have minimal impact on safety and the environment, and for the reliable transport of oil, but to which Alyeska elects to apply selected quality program elements.

Priority 4 (P-4) - Those structures, systems, and components not designated P-1, P-2 or P-3 and for which application of normal industry practices results in acceptable quality.

The General Accounting Office issued the report in August 1995 titled "Trans-Alaska Pipeline Actions To Improve Safety Are Under Way" (No. GAO/RCED-95-162) (see Prior Audit Coverage section of this report). The report stated that Alyeska had made progress in resolving the audit action items but that it was taking longer than originally planned. By the end of April 1995, Alyeska had corrected about 3,030 (62 percent) of the 4,920 audit action items identified.

As of March 2000, JPO had cleared all but 4, 1 of which consolidated 14 prior audit deficiencies, of the 4,920 audit deficiencies. The remaining four audit deficiencies consisted of two Priority 1 and two Priority 2 deficiencies.

Comprehensive Monitoring Program

Since 1995, JPO has been providing oversight of TAPS as part of the Comprehensive Monitoring Program developed by Booz-Allen & Hamilton, Inc., a consultant, to improve the effectiveness of JPO's operation. The consultant determined that to address risk effectively, JPO needed to focus more on Alyeska's management of pipeline operations and maintenance activities. The Program has a three-tier approach to oversight. Surveillance, the first tier, is where the most basic monitoring occurs through observations in the field by verifying compliance with (1) grant and lease stipulations, (2) plans to correct pipeline deficiencies identified by audit, and (3) Alyeska's established procedures for specific TAPS activities. Tier two involves assessments that capture trends and identify findings from

related surveillances and engineering reports. Assessments are the primary method JPO uses to issue findings to Alyeska that require corrective action. These assessments are more technical in nature and are designed primarily to communicate findings to Alyeska. Tier three is reporting. That is, assessment findings, as well as Alyeska's responses to findings, trends, and conditions, are included in Comprehensive Monitoring Program reports, which normally cover an 18-month period.

The results of the Comprehensive Monitoring reports issued during the year are rolled up into JPO's annual report. The annual report presents JPO's work plan objectives and its accomplishments for the previous year, as well as the upcoming year's work program goals.

SCOPE OF SURVEY

The survey was performed during September 1999 through May 2000 at JPO's and Alyeska's offices in Anchorage and Fairbanks, Alaska, and at the Valdez Marine Terminal. To accomplish our stated objective, we interviewed JPO agency personnel, Alyeska personnel, members of the Regional Citizens' Advisory Council,³ and personnel associated with recent allegations of TAPS mismanagement. We also observed JPO's surveillances of slope stability on Treasure Creek north of Fairbanks and observed operations at the Valdez Marine Terminal Operations Control Center during scheduled pipeline repairs. As part of our review, we followed up on allegations concerning TAPS mismanagement (see section "Allegations" in this report) made in July 1999 related to the falsification of records, the harassment of employees, deficiencies in electrical systems, and deficiencies in Alyeska's quality assurance program and in the Valdez Marine Terminal Vapor Control System. The Acting Assistant Secretary for Land and Minerals Management responded to these allegations in an August 12, 1999 letter.

We also reviewed JPO's files on prior pipeline deficiencies that were classified as closed. We selected 28 audit action items (13 Priority 1 and 15 Priority 2) that were cleared by JPO from 1994 through 1998 to determine whether the closures were adequately supported. We selected closed audit action items that pertained to the allegations regarding TAPS, including those related to the Valdez Marine Terminal.

Our survey was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. As part of our review, we assessed JPO's systems of internal controls applicable to inspecting and tracking prior pipeline deficiencies and monitoring compliance with Federal and State regulations and found weaknesses relating to tracking and reporting

³The Prince William Sound Regional Citizens' Advisory Council is an independent nonprofit corporation formed after the 1989 *Exxon Valdez* oil spill to minimize the environmental impacts of the trans-Alaska pipeline terminal and tanker fleet. The Council, consisting of 18 member organizations, is certified under the Federal Oil Pollution Act of 1990 and operates under a contract with Alyeska Pipeline Service Co. The contract, which is in effect as long as oil flows through the pipeline, guarantees the Council's independence, provides annual funding, and ensures the Council the same access to terminal facilities as State and Federal regulatory agencies.

compliance issues. These weaknesses are discussed in the Results of Survey section of this report. Our recommendations, if implemented, should improve the internal controls in these areas.

We also reviewed the Departmental Report on Accountability for fiscal year 1998, which includes information required by the Federal Managers' Financial Integrity Act of 1982, and BLM's annual assurance statements on management controls for fiscal years 1998 and 1999 to determine whether any reported weaknesses were within the objective and scope of our review. No reported weaknesses identified were within the scope of our review.

We also reviewed BLM's Annual Performance Plans for fiscal years 1999 and 2000, which include information required by the Government Performance and Results Act of 1993, to determine whether any goals or objectives related to JPO were within the scope of our review. We found that no goals or objectives related to JPO were identified in the Annual Performance Plans.

PRIOR AUDIT COVERAGE

The Office of Inspector General has not issued any audit reports related to JPO. During the past 5 years, however, the General Accounting Office has issued one audit report on TAPS. The report, "Trans-Alaska Pipeline Actions To Improve Safety Are Under Way" (No. GAO/RCED-95-162), dated August 1995, focused on determining whether the planned corrective actions would address deficiencies in the pipeline's electrical systems, quality, and preventive maintenance and whether regulators had taken actions to improve oversight of the pipeline. The report also discussed the root causes of pipeline deficiencies. The report stated that Alyeska had corrected about 3,030 (62 percent) of the almost 4,920 deficiencies identified and that the root causes of the pipeline's deficiencies included Alyeska's philosophy of reacting to problems rather than conducting programs aimed at prevention and early detection and regulators' inadequate oversight of contractor operations. The report did not contain any recommendations.

RESULTS OF SURVEY

The results of our review are summarized as follows:

- JPO's actions to close all but 4 of the 4,920 previously identified audit action items were adequately supported.
- JPO was developing a centralized data base to document its oversight activities, such as inspections conducted and deficiencies cited. Because the data base was not yet compiled, we did not attempt to determine whether JPO effectively accomplished its inspection and oversight duties as was stated in our initial audit objective.

- JPO needs to establish an internal quality control review process to ensure that information presented in its Comprehensive Monitoring Program reports and annual reports is accurate and supported.
- JPO could more effectively schedule its monitoring activities if it had better access to information from an Alyeska data base that identified TAPS maintenance records.
- Allegations of July 1999 concerning TAPS mismanagement were not supported, were already known, or were being addressed by JPO or Alyeska.

Previously Identified Pipeline Deficiencies

We found that except for the four remaining open items, JPO's actions to close the 4,920 pipeline deficiencies identified previously were adequately supported. We based our conclusion on a review of 28 Priority 1 and Priority 2 case files taken from JPO's Audit Compliance Tracking System data base. The case files contained sufficient documentation to address the deficiencies cited. For example, one audit action item identified 16 of 464 locations where the pipeline was initially in contact with the vertical support member.⁴ Alyeska had subsequently moved the pipeline away from the supports. Alyeska, however, had not performed a technical review of the situation and did not have written procedures on how to involve engineering in analyzing the stresses put on the pipeline. Alyeska revised its maintenance and repair manual to include engineering involvement in any future contact evaluation/repair. Both the revised repair manual and the engineering analysis of the stresses involved were submitted to JPO for review. JPO accepted the corrective action based upon the development of procedures and manuals. In addition, JPO had conducted surveillances on 7 of the 28 cases.

A JPO official said that JPO's approach to closing the audit action items was to confirm that a corrective action plan by Alyeska addressed the apparent cause of the finding. Specifically, the official stated that JPO reviewed 100 percent of the corrective action plans and analyzed 100 percent of the supporting documentation for the Priority 1 audit action items, reviewed 100 percent of the corrective action plans and analyzed 20 percent of the supporting documentation for the Priority 2 audit action items, and reviewed 100 percent of the corrective action plans for the Priority 3 audit action items. The official also said that any review of the corrective action plans for Priority 4 audit action items was left for Alyeska's internal audit function. The JPO official also said that a verification of the effectiveness of these corrective actions would take place only as part of the surveillance process under the Comprehensive Monitoring Program. The surveillances are scheduled as part of JPO's annual work plan and can be either active or passive. An active surveillance consists of a site visit to confirm that a corrective action has been taken to monitor Alyeska's activities. A passive surveillance is a review of engineering reports or other data submitted by Alyeska.

⁴Vertical support members are the vertical structures used to support the oil pipeline above ground to prevent any disturbance (melting) to the permafrost. Contact by the pipeline with the vertical support member could affect the integrity of the pipeline in the event of an earthquake.

The four remaining open audit action items are as follows:

- Audit action item 1955 consolidated 14 action items (2 Priority 1, 10 Priority 2, 1 Priority 3, and 1 Priority 4) that captured improvements to the change management process⁵ and the engineering drawing program. The findings associated with this item discussed the as-built condition of TAPS, stating that TAPS drawings and data were not current and not representative of the installed facilities.

- Audit action item 2076 (Priority 1) said that the remote gate valve control system needed to be upgraded to improve security against unauthorized intrusion and to prove remote diagnostic ability to detect and correct system impairments.

- Audit action item 2113 (Priority 2) said that the measurement of performance and the training of technicians and controllers needed to be upgraded.

- Audit action item 50528 (Priority 2) said that workpad bridges had to have adequate clearance to accommodate the 50-year flood clearance requirements, adequate load capacity, seismic integrity, and use of non-low-temperature steel.

We concluded that resolution of these four audit action items had not been accomplished because of the long-term nature of the improvements needed and the complexity of the improvements. For example, audit action item 50528 for improvements to workpad bridges resulted in Alyeska's removing one bridge in 1998 and replacing four bridges in 1997 and 1998. In addition, Alyeska said that it planned to replace one bridge and upgrade nine more bridges in 2000. Subsequent to our fieldwork, BLM officials informed us that audit action item 2113 was closed. Alyeska estimated that the three open audit action items would be closed during 2001.

Inspection and Oversight

JPO has been conducting surveillances since 1995 as part of the Comprehensive Monitoring Program. JPO develops annual work plans to schedule planned work loads for the subsequent year by program area and to allocate personnel to perform its inspection and oversight activities of TAPS. The work loads are based on a list of planned projects submitted by Alyeska, problems identified by JPO during prior surveillances, open audit deficiencies, and nonconformance reports submitted by Alyeska that identify pipeline-related problems. In addition, JPO released seven Comprehensive Monitoring Program reports from 1997 through 1999. The issuance of these reports was recommended by a consultant, who

⁵Change management is a philosophy that provides for control of a system through disciplined management of all information pertaining to a system's configuration and operational requirements (for example, drawings, data sheets, maintenance procedures, and operating procedures).

said that JPO should focus its monitoring on 12 program areas.⁶ In 1999, JPO consolidated the 12 areas into 4 areas: maintenance, operations, construction, and culture. Comprehensive Monitoring Program reports are designed to provide information to concerned citizens and regulatory agencies on particular focus areas and discuss Alyeska's compliance with grant and lease stipulations. The reports are the bases for JPO's annual reports. JPO did not, however, develop a comprehensive compliance tracking system to centrally record its inspection and oversight activities and Alyeska's compliance with Agreement stipulations and Federal and State regulations along the pipeline and its related facilities until November 1999.

JPO began development of a new Comprehensive Monitoring Program data base in 1999 that would identify all the Agreement stipulations and Federal and State regulations by pipeline facility and regulatory agency. As of November 1999, JPO had entered all of the 1999 surveillances into the data base and was in the process of entering all prior years' data. JPO estimated that 1997, 1998, and 2000 surveillances would be in the data base by September 30, 2000. When fully operational, according to JPO officials, the new data base should be able to document all oversight work performed, including assessment and engineering reports, from 1997 to 2000 by JPO and its related agencies and to provide JPO with sufficient information to effectively schedule future surveillances to determine whether all facilities are complying with the applicable stipulations and regulations.

Quality Control Over Reporting

JPO needs to institute an internal quality control review process to verify that findings in its annual and comprehensive monitoring reports on TAPS are adequately supported by accurate and reliable source documentation. Without such a process, JPO does not have assurance that information in its reports is accurate. For example, we found that JPO's April 1998 Comprehensive Monitoring Program report stated that Alyeska had complied with Agreement stipulations on both fire prevention and suppression and on health and safety at the Valdez Marine Terminal. JPO's compliance finding should have been qualified, however, to clearly state that a review of the operability of the fire suppression system review had not been conducted. In that regard, a 1999 JPO assessment found that sludge accumulations brought into question the operability of the subsurface fire suppression system, and as a result, JPO ordered Alyeska to test the system.

Access to Alyeska Maintenance Records

We believe that direct access to Alyeska's passport system, a data base system that identifies all Alyeska maintenance work orders by facility, would enable JPO to more effectively plan its surveillances and evaluate Alyeska's compliance with the Agreement. In that regard, we noted that the system had a backlog of 3,345 uncompleted work orders as of November 1999. According to a JPO official, JPO can request Alyeska to provide JPO with maintenance data

⁶The 12 original focus areas were maintenance, quality, safety, environment, configuration management (change management), project performance, operations, risk management, project design, the employee concerns program, equal employment opportunity, and Alaska Native employment and training.

from Alyeska's passport system. We believe, however, that it would be more effective for JPO to have "read only" access for use in planning its inspection and oversight activities.

Allegations

Our review of the July 1999 allegations of TAPS mismanagement made against JPO and Alyeska by a private interest group consisted of our analyses of a matrix prepared by JPO that addressed each of the 44 allegations and a report prepared by Alyeska's consultant on the allegations. In addition, we had discussions with a representative of the personnel who initiated the allegations. Our review of JPO's matrix found that 2 allegations were not supported; 13 allegations had been previously identified as a pipeline deficiency by JPO, Alyeska, or a consultant; or Alyeska had corrected the problem for 10 allegations and had issued a plan for addressing the problem for 19 allegations. In addition, we reviewed documentation for JPO's matrix conclusions on a sample of 10 of the 44 allegations and determined that JPO had adequately addressed the 10 allegations. The report by Alyeska's consultant and JPO also identified recurring issues resulting from improper change management procedures, which is open audit action item 1955. In addition, the report identified recurring issues that are undergoing evaluation as follows:

- National Electrical Code violations for electrical components of the Valdez Marine Terminal.
- Use of project materials that, because of the lack of purchase order numbers, could not be traced to authorized suppliers.
- Supplies and materials not being inspected for quality by engineering personnel.
- Improper inspector certifications.

Other recurring allegations against Alyeska management by Alyeska's employees were those of "harassment," "intimidation," and "discrimination." A JPO comprehensive monitoring report on Alyeska Employee Concerns Program and JPO's monitoring of the Program identified problems that resulted in 23 recommendations, which, according to a JPO official, had been reported as implemented. Additionally, the official stated that JPO intends to conduct another review of Alyeska's Employee Concerns Program in 2000 to confirm that the recommendations have been implemented and to assess the effectiveness of the Program.

Recommendations

We recommend that the Director, BLM, require JPO to:

1. Complete implementation of the comprehensive monitoring program data base to ensure effective monitoring of TAPS before the Agreement and Grant of Right-of-Way is reviewed.

2. Implement an internal quality control review process to ensure that all external JPO reports on TAPS are supported by accurate and reliable source documentation.

3. Obtain better access to maintenance data in Alyeska's passport system to assist in effectively scheduling JPO surveillances. For example, JPO could obtain this information by obtaining "read only" access at either Alyeska's computer terminals or by an on-line link from JPO's computer system.

BLM Response and Office of Inspector General Reply

In the November 3, 2000 response (Appendix 3) to the draft report, the Director, BLM, stated that the report is "factually correct and well written," and BLM concurred with the three recommendations. In subsequent communications, BLM officials informed us that the target date for implementation of the three recommendations was March 31, 2001.

Based on the responses, we consider the three recommendations resolved but not implemented. Accordingly, the recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Since the report's recommendations are resolved, no further response to the Office of Inspector General is required (see Appendix 5).

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

JOINT PIPELINE OFFICE

Federal and State Agencies Located at the Joint Pipeline Office

Federal Agencies

Department of the Interior, Bureau of Land Management
Environmental Protection Agency

State of Alaska Agencies

Department of Natural Resources
Department of Environmental Conservation
Department of Fish and Game
Department of Labor
Office of Management and Budget, Division of Government Coordination

Cooperating Federal Agencies not Located at the Joint Pipeline Office

Department of Transportation, Office of Pipeline Safety
U.S. Coast Guard
U.S. Army Corps of Engineers

REPORTS AND KEY EVENTS SINCE 1993 CONCERNING TRANS-ALASKA PIPELINE SYSTEM ACTIVITIES

July 1993	Hearing on Trans-Alaska Pipeline System (TAPS), House Committee on Energy and Commerce. (Hearings held to examine Alyeska Pipeline Service Company's ability to manage and operate TAPS safely and the effectiveness of the Federal Government's oversight of Alyeska.)
August 1993	BLM contracts with Quality Technology Company (QTC) to audit TAPS operations.
September 1993	TAPS owners contract with Arthur D. Little, Inc., to perform an independent assessment of TAPS operations.
November 1993	BLM issues Phase I audit report by QTC, which reports numerous problems with TAPS electrical systems.
November 1993	House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, holds hearing on TAPS as followup to July hearings.
December 1993	Arthur D. Little, Inc., issues its Phase I interim report on the assessment of TAPS operations. (The report identified 1,132 action items of the 4,920 action items.)
January 1994	QTC completes Phase II report for the BLM audit. (The QTC audit identified 22 overall deficiencies, and Alyeska translated the 22 deficiencies into 208 audit action items.)
February 1994	Joint Pipeline Office (JPO) hires Stone & Webster Engineering Corporation to assist with providing oversight of the pipeline system.
February 1994	JPO hires Booz-Allen Hamilton to review JPO organization.
June 1994	Booz-Allen Hamilton issues the "Final Report - Comprehensive Monitoring Program for JPO" and the "Final Report - Organization and Staffing for JPO."
July 1994	Arthur D. Little, Inc., issues its final report on TAPS. (The report identified an additional 3,100 audit action items. With these items and with additional findings from other audits, the audit action items totaled 4,920.)
August 1995	The General Accounting Office issues the report "Trans-Alaska Pipeline: Actions to Improve Safety Are Underway." (Report states that Alyeska corrected 3,030 of 4,920 identified audit action items.)

- July 1999 Declaration letter dated July 9 to the Congress and the Secretary of the Interior transmits allegations concerning the integrity of TAPS.
- August 1999 Alyeska hires Little Harbor Consultants to review the allegations in the declaration letter to the Congress.
- September 1999 Little Harbor Consultants issue a report on TAPS that addresses the allegations in the declaration letter to the Congress.



United States Department of the Interior

APPENDIX 3

Page 1 of 2

BUREAU OF LAND MANAGEMENT

Washington, D.C. 20240

<http://www.blm.gov>

In Reply Refer To:

1245 (830)

MEMORANDUM

To: Assistant Inspector General for Audits

Through: Sylvia V. Baca *Piet deWit* NOV - 3 2000
for Assistant Secretary, Land and Minerals Management

From: Tom Fry *M. Fry*
Director, Bureau of Land Management

Subject: Response to Draft Survey Report on Oversight Activities of the
Trans-Alaska Pipeline System, Bureau of Land Management
(C-IN-BLM-002-99-R)

Thank you for the opportunity to respond to the subject draft survey report on the oversight activities of the Trans-Alaska Pipeline System by the Bureau of Land Management (BLM). The report is factually accurate and well written. We submit the following comments regarding the three recommendations contained in the report:

Recommendation 1: Complete implementation of the comprehensive monitoring program data base to ensure effective monitoring of TAPS before the Agreement and Grant of Right-of-Way is renewed.

Concur: The BLM has taken the following actions: (1) Entered the 1997, 1998, 1999, and 2000 surveillance reports into the data base; (2) had the Contract Programmer extensively debug and also modify the data base for ease of use; (3) appointed a permanent, full-time Data Base Administrator (new position); (4) advertised for a permanent, full-time programmer to further expand the Joint Pipeline Office's (JPO) data base (The BLM is supplementing the search with contractor support in case a suitable candidate is not found at the GS-12 level); and (5) is beginning input of JPO engineering reports and assessments. The responsible official is the BLM Alaska State Director.

Recommendation 2: Implement an internal quality control review process to ensure that all external JPO reports on TAPS are supported by accurate and reliable source documentation.

Concur: The BLM has permanently assigned a Writer/Editor to JPO to better document supporting evidence for external reports. We have also arranged (with our JPO assigned Solicitor) for a pre-review of future comprehensive monitoring program reports of which three are currently under preparation. For past comprehensive monitoring reports, the Writer/Editor is preparing a reference of the specific surveillance, assessment, and engineering reports which supported those findings. To verify the operability and functionality of critical TAPS systems (addressing the example cited in support of this recommendation), the BLM has let a large contract to Spearhead System Consultants to facilitate system integrity reviews adapting the "Reliability Centered Maintenance" analytical approach. Finally, the BLM is updating the stipulation and section specific guidance for the Grant. This document is receiving Solicitor review and should be complete by year end. The responsible official is the BLM Alaska State Director.

Recommendation 3: Obtain better access to maintenance data in Alyeska's passport system to assist in effectively scheduling JPO surveillance. For example, JPO could obtain this information by obtaining "read only" access at either Alyeska's computer terminals or by an on-line link from JPO's computer system.

Concur: Before year end, the BLM will reassign a senior JPO staff person to a Planner-Scheduler position. This position will use passport data, as well as records from Alyeska internal nonconformance reports, Corrective Action Requests, project packages, audits, and other quality assurance reports to enhance JPO surveillance scheduling. The BLM will work with Alyeska to efficiently and effectively extract information with full awareness of its broad authority to order records access. This Planner-Scheduler will help BLM and JPO identify opportunities to monitor Grant compliance particularly in reference to some of the stipulations that have not received extensive monitoring and those stipulations for which previous incidents of noncompliance have been reported. The responsible official is the BLM Alaska State Director.

We hope this response addresses your concerns and resolves the audit recommendations. Thank you again for your assistance in reviewing our compliance monitoring of TAPS.

If you have any questions, please contact Jerry Brossia, BLM Authorized Officer for TAPS, at (907) 271-4393 or Rebecca Mack, Management Systems Group, BLM, at (202) 452-5047.

STATUS OF SURVEY REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
A1, A.2, and A.3	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

**ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO
THE OFFICE OF INSPECTOR GENERAL**

Internet Complaint Form Address

http://www.oig.doi.gov/hotline_form.html

Within the Continental United States

U.S. Department of the Interior
Office of Inspector General
1849 C Street, N.W.
Mail Stop 5341 - MIB
Washington, D.C. 20240-0001

Our 24-hour
Telephone HOTLINE
1-800-424-5081 or
(202) 208-5300

TDD for hearing impaired
(202) 208-2420

Outside the Continental United States

Caribbean Region

U.S. Department of the Interior
Office of Inspector General
Eastern Division - Investigations
4040 Fairfax Drive
Suite 303
Arlington, Virginia 22203

(703) 235-9221

Pacific Region

U.S. Department of the Interior
Office of Inspector General
Guam Field Pacific Office
415 Chalan San Antonio
Baltej Pavilion, Suite 306
Agana, Guam 96911

(671) 647-6060

HOTLINE

U.S. Department of the Interior
Office of Inspector General
1849 C Street, NW
Mail Stop 5341- MIB
Washington, D.C. 20240-0001

Toll Free Number
1-800-424-5081

Commercial Numbers
(202) 208-5300
TDD (202) 208-2420

