



United States Department of the Interior

Office of Inspector General

Central Region
134 Union Blvd., Suite 510
Lakewood, Colorado 80228

November 12, 2004

Memorandum

To: Director, Bureau of Land Management
Focus Leader for Management Accountability and Audit Follow-up,
Office of Financial Management, Office of the Assistant Secretary
for Policy, Management and Budget

From: Anne L. Richards *Anne L. Richards*
Regional Audit Manager

Subject: Verification Report on Recommendations Considered Resolved and
Implemented from Audit Report No. 95-I-747 Titled "Right-of-Way Grants,
Bureau of Land Management"
(C-FL-BLM-0091-2004)

The Office of Inspector General has completed a verification review of two of the eight recommendations (B.1 and B.3) that were presented in the subject audit report. The objective of the review was to determine whether the recommendations were implemented as reported to the Office of Policy, Management and Budget.

Background

Our March 1995 audit report, "Right-of-Way Grants, Bureau of Land Management" (No. 95-I-747) made eight recommendations to correct deficiencies related to the Bureau of Land Management's (BLM) right-of-way program. In BLM's February 10, 1995 response to our report, BLM generally agreed with Recommendations B.1 and B.3. On May 5, 1995, we referred all eight recommendations in the report to the Assistant Secretary for Policy, Management and Budget for implementation tracking. Based on a memorandum from the Director of BLM dated May 21, 1998, the Office of Policy, Management and Budget considered Recommendations B.1 and B.3 closed.

Scope and Methodology

The scope of our review was limited to determining whether BLM took adequate action to address Recommendations B.1 and B.3. We reviewed the supporting

documentation that BLM submitted to close the recommendations. We also interviewed and requested information from BLM program and accounting personnel, and we reviewed BLM's budget justifications for fiscal years 2004 and 2005.

We did not perform any site visits or conduct any detailed audit tests to determine whether the underlying deficiencies that were initially identified have been corrected. As a result, this verification review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

Results of Review

We determined that Recommendations B.1 and B.3 were implemented.

Recommendation B.1: *Perform a study to determine actual Bureau costs to process right-of-way applications.*

In response to our 1995 report, BLM stated that it would work with the Forest Service and the National Park Service to conduct a multi-agency study to determine the actual costs to process right-of-way applications. According to a BLM Realty Management Specialist, both these agencies chose not to participate in the study.

Although the Forest Service and the National Park Service chose not to participate, BLM right-of way program experts did conduct a field check cost study in 1995 to determine the costs associated with processing right-of-way applications. The results of this study did not vary significantly from the results of a 1986 cost study. BLM used the results from these cost studies to propose significant changes to its cost recovery policies and procedures in the right-of-way regulations. BLM's proposed changes are not yet finalized. BLM anticipates that the changes in the cost recovery rules will result in a more equitable collection and distribution of costs.

We believe that the proposed changes to the rules will result in BLM collecting more fees than it was collecting under the current regulations. We cannot, however, provide assurance that BLM's proposed changes will result in it recovering all applicable costs because BLM's cost study did not consider all indirect costs.

Recommendation B.3: *Develop and implement procedures that provide for the timely assignment of project numbers for the accumulation of reimbursable costs on major right-of-way projects.*

Actions taken by BLM were sufficient for us to consider this recommendation resolved and implemented. We found that the guidance issued by BLM on January 21, 1998, if diligently followed, should improve the process for assigning project numbers promptly to correct the weakness identified in our report.

Conclusion

We informed BLM officials at a September 27, 2004 exit conference that we were reporting both recommendations in the subject audit report as resolved and implemented.

If you have any questions regarding this report, please contact Keith Clark, Deputy Regional Audit Manager, or me at (303) 236-9243.

cc: Audit Liaison Officer, Bureau of Land Management
Audit Liaison Officer, Assistant Secretary for Land and Minerals Management