




United States Department of the Interior  
Office of Inspector General  
Western Region

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Sacramento, California 95825

Report No. WR-VS-BLM-0001-2008  
May 30, 2008

Memorandum

To: Assistant Secretary for Land and Minerals Management  
Assistant Secretary for Policy, Management and Budget  
(Attention: Associate Director for Finance, Policy and Operations)

From: Michael P. Colombo   
Regional Manager

Subject: Verification Review of Seven Recommendations Considered Implemented From  
Our February 2004 report *Audit of Oil and Gas Permitting Process, Bureau of  
Land Management* (Report No. W-IN-BLM-0009-2003)

The Office of Inspector General has completed a verification review of recommendations presented in the subject audit report. The objective of the review was to determine whether seven recommendations were implemented, as reported to the Office of Financial Management, Office of Policy, Management and Budget.

**Background**

Our February 2004 report *Audit of Oil and Gas Permitting Process, Bureau of Land Management* made eight recommendations to assist the Bureau of Land Management (BLM) in removing impediments to processing applications for permit drilling in an efficient and environmentally responsible manner. Based on BLM's May 26, 2004 response to our final report and additional information provided, Recommendation 6 was considered resolved and implemented and Recommendations 1, 2, 3, 5, 7, and 8 were resolved but not implemented, and Recommendation 4 was unresolved. Therefore, we referred these seven recommendations to the Assistant Secretary for Policy, Management and Budget (PMB) for resolution.

In memorandums dated March 9, 2006, September 29, 2006, December 19, 2006, July 30, 2007, September 17, 2007, and an email dated March 22, 2005, the Office of Financial Management (PFM) reported to the Office of Inspector General that the seven open recommendations (1, 2, 3, 4, 5, 7, and 8) were implemented and considered closed.

## Scope and Methodology

The scope of this review was limited to determining whether BLM took sufficient actions to implement the recommendations. To accomplish our objective, we reviewed the supporting documentation that BLM officials provided us relating to each recommendation. We also interviewed BLM program officials to gather additional information and to seek clarification on some of the information that BLM initially provided.

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

## Results of Review

Our current review found that BLM has implemented Recommendations 1, 2, 5, 7, and 8. However, BLM has not fully implemented Recommendations 3 and 4. The status of the recommendations is summarized in the Appendix.

***Recommendation 1: “Establish policies and procedures to institutionalize a continuous evaluation and update of land use plans in concert with BLM’s current update initiative.”***

The BLM’s land use plans are to be evaluated and updated pursuant to the Code of Federal Regulations and the current land use planning handbook. The handbook discusses the process of reviewing land use plans to determine whether decisions and National Environmental Policy Act (NEPA) analysis are still valid and plans are being implemented. Land use plans are to be evaluated and updated at least every 5 years. Also, the Fiscal Year (FY) 2008 Annual Work Plan (AWP) indicates the updating of land use plans is a priority for BLM through 2015. Therefore, we concluded that Recommendation 1 has been implemented.

***Recommendation 2: “Establish one system capable of tracking and monitoring the entire APD process, which should include operator access to application status. This system would include capability of producing status reports, such as, aging schedules and pending activity reports.”***

In response to our February 2004 report, BLM issued Instruction Memorandum (IM) 2005-046, “Policy for Entry of Data into Applications for Permit to Drill (APD) Processing Tracking and Monitoring Fields in the Automated Fluid Minerals Support System (AFMSS) Database,” which provides policy for field offices to enter APD data in AFMSS on a consistent basis. This IM expired in FY 2006; however, BLM officials stated that the policy has been extended for two years (or until FY 2008) at which time the Bureau plans to incorporate this guidance in the BLM manual. The AFMSS generates both standard and custom reports for purposes of monitoring permit applications.

While not part of AFMSS, BLM has an on-line feature called the Wells Information System (WIS) which allows operators to submit and track applications. The WIS has two components; one for Indian operators and the other for non-Indian operators. The on-line feature was suspended for public use due to the *Cobell v. Norton* lawsuit. The non-Indian component was reactivated about six to eight months ago. We concluded that Recommendation 2 has been

implemented. However, BLM should finalize the policy outlined in IM 2005-046 by incorporating the guidance in its manual or some other document.

***Recommendation 3: “Establish a nationally coordinated and centrally over-sighted APD permitting process.”***

As mentioned above, BLM issued IM 2005-046, “Policy for Entry of Data into Applications for Permit to Drill (APD) Processing Tracking and Monitoring Fields in the Automated Fluid Minerals Support System (AFMSS) Database,” which provides policy for field offices to enter APD data in AFMSS on a consistent basis. A BLM official stated that he uses AFMSS reports to manage the APD process. This IM expired in FY 2006; however, BLM officials stated that the policy had been extended for two years (or until FY 2008) at which time they plan to incorporate this guidance in the BLM manual.

In response to our February 2004 report, BLM pursued a strategy of using quality assurance teams (QAT) to review and evaluate the APD process at select field offices. The most recent internal control review was done at the Jackson and Milwaukee field offices in April 2007. However, BLM officials told us QATs of the APD process are not conducted on a cyclic basis, and there is no written policy requiring such reviews. Instead, these reviews are part of their overall internal control review process which is conducted on an ongoing basis in accordance with Office of Management and Budget Circular A-123. The APD process is not always included as a component of these reviews; therefore, there is no periodic oversight of this process. Accordingly, we concluded that Recommendation 3 has not been fully implemented. BLM should establish a periodic review cycle for over-sighting the APD process.

***Recommendation 4: “Ensure that field offices conduct and periodically update workload analyses to determine the appropriate size and composition of the workforce needed to efficiently process APDs.”***

BLM conducted an initial workload analysis in 2005 which was updated a year later. The analysis included seven pilot offices comprising 70 percent of the APD processing workload. BLM officials stated the workload analysis was created using a list of anticipated needs submitted by the pilot offices. The analysis has not been updated since 2006, and there are no plans to do so. However, BLM officials stated that the seven pilot offices annually update their budget documents which include the workload needs of each office. In April 2007, an internal review team recommended that APD workload analyses be conducted for the Jackson and Milwaukee field offices, which are not part of the pilot program. Because BLM has no intention to periodically update workload analyses as recommended in our February 2004 report, we concluded that Recommendation 4 has not been fully implemented. In addition, BLM should expand the workload analysis to include other field offices or shift those field offices included to adjust for changes in APD processing workloads.

***Recommendation 5: “Consolidate, clarify, and issue nationwide APD application guidelines that include all BLM permitting requirements.”***

As previously mentioned, BLM issued IM 2005-046, “Policy for Entry of Data into Applications for Permit to Drill (APD) Processing Tracking and Monitoring Fields in the Automated Fluid Minerals Support System (AFMSS) Database,” which provides policy for field

offices to enter APD data on a consistent basis. However, this policy has not been formally extended or incorporated into the BLM manual. Although not provided as support in closing out this recommendation, BLM has established “Surface Operating Standards and Guidelines for Oil and Gas Exploration and Development” (commonly known as the Gold Book). The Gold Book was developed to assist operators by providing information on the requirements for obtaining permit approval and conducting environmentally responsible oil and gas operations on Federal lands. In 2007, the Gold Book was revised to incorporate changes resulting from the new Onshore Oil and Gas Order No. 1 regulation. This Order stipulates the requirements necessary for the approval of all proposed oil and gas exploratory, development, or service wells on Federal and Indian onshore oil and gas leases. Therefore, we concluded that Recommendation 5 has been implemented.

***Recommendation 7: “Establish procedures for completing environmental studies that are timely, consistent among field offices, and comply with applicable environmental laws.”***

In response to our February 2004 report, BLM issued IM 2006-071, “Process Improvement for Oil, Gas, Geothermal, Geophysical, and Related Rights-of-Way Approvals,” which established procedures for improving the APD process and ensuring that environmental studies were timely, consistent among field offices, and complied with applicable environmental laws. It compiled a list of recommendations to expedite the APD process while adhering to environmental laws. Specifically, it recommended field offices increase the use of the Energy Policy Act of 2005, Section 390 Categorical Exclusions and Plan of Development environmental assessments which reduce redundant environmental assessments if certain criteria are met, and allows for bundling of APDs linked to one environmental assessment plan. Field offices were to establish improvement teams and submit findings and efficiency improvements to their respective state offices that would then report results and consistency and process solutions being implemented to the Washington Office. This IM expired in FY 2007; however, BLM officials stated that the policy has been extended for a year (or until FY 2008).

In FY 2005, BLM conducted a self assessment to determine if various Oil and Gas Surface Management Program’s processes, including APD and NEPA, were conducted in an effective manner and identify areas needing improvement. There were several findings and recommendations; one of which was the need to improve the process for developing and reviewing NEPA documents. State and field offices were then to implement strategies and procedures to address the issues and improve the quality of APD processing.

BLM conducted another self assessment during FY 2006, to analyze the establishment of procedures for improving the APD process and ensuring that environmental studies were timely, consistent among field offices, and complied with applicable environmental laws. As a result, BLM found that the majority of field offices were implementing recommended strategies and some offices were taking steps to implement innovative solutions. Field offices reported that they were: (1) using software programs to gather information and track documentation for APD and NEPA actions, (2) working with the Forest Service to identify inefficient measures related to the APD process, and (3) using categorical exclusions, geographical area plans, or master development plans to streamline the APD and NEPA processes. In addition, state and field offices reported that they were holding workshops and meetings to initiate and develop external communication with operators, independent groups, and the general public. Areas needing

improvement were the increased use of multiple-APD packages and site-specific field development environmental assessments and impact statements. We concluded that Recommendation 7 has been implemented. However, BLM should standardize and apply these streamlined environmental procedures across all field offices as determined appropriate.

***Recommendation 8: “Amend the Department’s Strategic Plan to include a clearly defined and measurable goal to process APDs not in backlog status or, in the alternative, establish a goal in BLM’s annual or long-term operating plans to process APDs not in backlog status.”***

The Department of Interior’s Strategic Plan for FY 2007-2012 included an outcome goal to manage or influence resource use to enhance public benefit, responsible development, and economic value. In addition, there were two performance goals or measures related to the percent of fluid mineral leases with approved applications for permits to drill and the percent of fluid mineral permit and lease applications processed. BLM’s target is to have 47 percent of leases approved and 94 percent of applications processed by FY 2012. Although the goals did not specifically indicate APDs not in backlog status, we considered the goals to include both current and backlogged APDs. Additionally, BLM’s FY 2008 AWP and Budget Justification included goals to process a number of APDs. Therefore, we concluded that Recommendation 8 has been implemented.

## **Conclusion**

We informed BLM officials of the results of this review at an exit conference on May 12, 2008. We consider Recommendations 3 and 4 not fully implemented; therefore, we request that PFM reinstate these recommendations and take appropriate follow-up action. BLM should provide a plan identifying actions to be taken, target dates for implementation, and titles of officials responsible for implementation for these recommendations as outlined in the Appendix.

## **Responding to the Report**

We request that PFM provide a written response to this report by June 30, 2008, indicating whether it reinstated Recommendations 3 and 4. If applicable, the response should provide PFM’s reasons for not reinstating these recommendations. If you have any questions about the report, please contact me at (916) 978-5653.

cc: Director, Bureau of Land Management (MS 5628-MIB)  
Audit Liaison Officer, Assistant Secretary for Land and Minerals Management  
(MS 6628-MIB)  
Audit Liaison Officer, Bureau of Land Management – Attn: LaVanna Stevenson  
(MS 1000-MIB)  
Chief, Audit Follow-up, Internal Control and Financial Reporting, Office of Financial  
Management, Office of the Assistant Secretary for Policy, Management and Budget  
(MS 2557-MIB)

## Status of Prior Audit Report Recommendations

| Recommendation | Status                   | Action Required   |
|----------------|--------------------------|---|
| 1              | Resolved and Implemented | No action required.   |
| 2              | Resolved and Implemented | Finalize policy outlined in IM 2005-046 by incorporating in BLM manual.   |
| 3              | Not fully implemented    | We request that PFM reinstate the recommendation. BLM should provide a plan identifying actions to be taken, target dates for implementation, and titles of officials responsible for implementation. |
| 4              | Not fully implemented    | We request that PFM reinstate the recommendation. BLM should provide a plan identifying actions to be taken, target dates for implementation, and titles of officials responsible for implementation. |
| 5              | Resolved and Implemented | No action required.   |
| 7              | Resolved and Implemented | BLM should standardize and apply environmental procedures consistently across the state and field offices.  |
| 8              | Resolved and Implemented | No action required.   |