



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

SURVEY REPORT

**STATE RECLAMATION AND REGULATORY
GRANT PROGRAMS,
OFFICE OF SURFACE MINING
RECLAMATION AND ENFORCEMENT**

**REPORT NO. 97-I-56
OCTOBER 1996**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

DEC 16 1996

MEMORANDUM

TO: The Secretary

FROM: Wilma A. Lewis
Inspector General

SUBJECT SUMMARY: Final Survey Report for Your Information - "State Reclamation and Regulatory Grant Programs, Office of Surface Mining Reclamation and Enforcement" (No. 97-I-56)

Attached for your information is a copy of the subject final survey report. The objective of the audit was to determine whether the Office of Surface Mining Reclamation and Enforcement was administering the grant programs efficiently and effectively.

We were unable to determine whether Surface Mining grant programs were administered efficiently and effectively because Surface Mining was still adjusting to a reorganization that occurred at the end of fiscal year 1995 and the downsizing that was begun in fiscal year 1996. However, in a review of regulatory grants, we found that 27 grants in 19 states had not been closed out in a timely manner and that 12 states had unsupported drawdowns of grant funds totaling \$11 million on 14 of 27 open grants. We recommended that Surface Mining improve controls over the monitoring of regulatory grant funds and the timely closure of grant agreements.

Surface Mining concurred with the report's recommendation, which will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

If you have any questions concerning this matter, please contact me at (202) 208-5745 or Mr. Robert J. Williams, Acting Assistant Inspector General for Audits, at (202) 208-4252.

Attachment



United States Department of the Interior

OFFICE OF THE INSPECTOR GENERAL
Washington, D.C. 20240

OCT 29 1996

SURVEY REPORT

Memorandum

To: Assistant Secretary for Land and Minerals Management

From: *for* *Andrew Fedak*
Robert J. Williams
Acting Assistant Inspector General for Audits

Subject: Survey Report on State Reclamation and Regulatory Grant Programs,
Office of Surface Mining Reclamation and Enforcement (NO. 97-I-56)

INTRODUCTION

This report presents the results of our survey of the state reclamation and regulatory grant programs administered by the Office of Surface Mining Reclamation and Enforcement. The review was requested by Surface Mining to ensure that its streamlining efforts did not “decrease controls over grant award, monitoring, closeout, and auditing functions.” Our objective was to determine whether Surface Mining was administering the grant programs efficiently and effectively.

BACKGROUND

The Office of Surface Mining Reclamation and Enforcement was established by the Surface Mining Control and Reclamation Act of 1977 to administer programs to control the environmental effects of coal mining operations and to reclaim abandoned mine lands. These programs are generally carried out by providing grants to states and Indian tribes that develop and implement regulatory and reclamation programs approved by Surface Mining.

The Act authorizes Surface Mining to award grants to eligible states and Indian tribes in amounts not to exceed 50 percent of the cost of each state’s or tribe’s regulatory program. The grant funds are used to operate regulatory programs that include reviewing mine permit applications, inspecting current surface mining operations, maintaining an enforcement program designed to correct violations of the Act of 1977, designating lands as unsuitable for mining, administering bonding and bond release programs, and administering small operator assistance programs. In

fiscal years 1993, 1994, and 1995, Surface Mining awarded regulatory program grants totaling about \$51.5 million each year to 23 states.

The Act also authorizes Surface Mining to award grants to eligible states and Indian tribes to reclaim lands affected by past mining operations. Funding for the reclamation grants is derived from reclamation fees paid by coal operators on coal produced after September 30, 1977, and deposited into the Abandoned Mine Reclamation Fund. Surface Mining awarded grants totaling \$192.6 million, \$205.8 million, and \$162.5 million in fiscal years 1993, 1994, and 1995, respectively, to 23 states and 3 Indian tribes.

SCOPE OF SURVEY

Our survey was conducted at Surface Mining Headquarters in Washington, D. C.; the Appalachian Regional Coordinating Center in Pittsburgh, Pennsylvania; the Harrisburg Field Office in Harrisburg, Pennsylvania; and the Lexington Field Office in Lexington, Kentucky. We interviewed Surface Mining personnel to determine how regulatory and reclamation grants are initiated, processed, and closed out within the Appalachian Region. In addition, we reviewed the status of reclamation and regulatory grants that were open as of February 15, 1996. Because we did not continue our audit beyond the survey phase, we limited our tests of records and other procedures to those necessary to become familiar with program requirements and administrative procedures and practices.

We also reviewed the Department of the Interior's Annual Statement and Report to the President and the Congress, required by the Federal Managers' Financial Integrity Act, for fiscal years 1993 through 1995 and determined that there were no reported weaknesses related to the objective and scope of our survey.

PRIOR AUDIT COVERAGE

In the past 5 years, the General Accounting Office has not issued any reports specifically related to Surface Mining's regulatory or reclamation grants programs. However, in July 1993, the Office of Inspector General issued the report "Selected Grant Oversight Activities, Office of Surface Mining Reclamation and Enforcement" (No. 93-1-1198), which stated that the State of Ohio charged salary and equipment costs that were not specifically related to Abandoned Mine Land or Regulatory Program grants. During our current review, we found that Surface Mining had implemented the recommendation relating to the salary costs but that the recommendation relating to motor vehicle costs was still under review.

RESULTS OF SURVEY

We found that Surface Mining was still adjusting to the reorganization that occurred at the end of fiscal year 1995 and to the downsizing that was begun in fiscal year 1996. Personnel at the sites we visited were adapting to their new duties and

responsibilities, as well as to different titles and position descriptions. Because of this situation, we concluded that Surface Mining had not operated long enough under its new organization to allow us to fully determine whether its current grant administration was effective and efficient. Therefore, we did not extend our review beyond the survey phase. Our survey did not identify any deficiencies regarding the state reclamation grants; however, we did note that improvements could be made regarding the monitoring of regulatory grant funds.

Our review identified 27 regulatory grants in 19 states that had not been closed out, even though the grant periods had expired from 1 1/2 months to about 2 years ago, as of our February 15, 1996, review. Surface Mining's Federal Assistance Manual requires that states submit expenditure reports semiannually for regulatory grants to support their drawdowns of grant funds. However, we identified 12 states that had unsupported drawdowns totaling \$11.0 million on 14 of the 27 open regulatory grants (see Appendix 1). For example, one state had not provided expenditure reports to support any of its drawdowns totaling \$443,864 for a regulatory grant whose activities had been completed on September 30, 1994. The untimely reporting of expenditures by states results in Surface Mining's delaying the closeout of grants and the subsequent return of grant funds to the U.S. Treasury. In addition, 23 of the 27 grants had outstanding balances totaling \$6.4 million, which also should have been returned to the U.S. Treasury (see Appendix 2).

During our survey, we also noted that the Harrisburg Field Office had instituted an innovative and efficient approach for monitoring a state's regulatory grant activity that may be appropriate for use in other states. At this field office, information in the database of the State of Pennsylvania's automated Land Use Management Information System could be read but not modified. With this type of access, the Field Office could provide oversight of its grants by using the System to review the State's inspection and enforcement activity and also to plan and select mines for Surface Mining's oversight inspections. We believe that other Surface Mining field offices could benefit from this approach, since states probably would not be reluctant to provide Surface Mining inspectors access to their databases if they were assured that the information in the database could not be modified.

Recommendation

We recommend that the Director, Office of Surface Mining Reclamation and Enforcement, improve controls over the monitoring of regulatory grant funds to ensure that expenditure reports are submitted by the states to support all drawdowns of grant funds, completed grants are closed out in a timely manner, and unused funds are returned promptly to the U.S. Treasury.

Office of Surface Mining Reclamation and Enforcement Response and Office of Inspector General Reply

The September 30, 1996, response (Appendix 3) from the Acting Director, Office of Surface Mining Reclamation and Enforcement, concurred with the recommendation. Based on the response, we consider the recommendation resolved but not implemented. Accordingly, the recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

Since the report's recommendation is considered resolved, no further response to the Office of Inspector General is required (see Appendix 4).

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the cooperation of Surface Mining personnel in the conduct of our audit.

**STATUS OF OPEN OFFICE OF SURFACE MINING REGULATORY GRANTS
WITH COMPLETED GRANT PERIODS**

Grantee	Grant No.	Grant Amount	Total Drawdowns	Total Costs Reported	Unsupported Drawdowns¹	Balance Remaining²	Completion Date
Alabama	GR593013	\$1,204,372	\$1,051,601	\$493,643	\$557,958	\$152,771	9/30/95
Alaska	GR493023	196,428	187,792	75,731	112,061	8,636	6/30/95
Arkansas	GR593053	173,151	172,601	76,462	96,139	550	9/30/95
Colorado	GR493083	1,469,791	1,469,325	1,469,748	0	466	12/31/94
	GR593083	1,502,111	0	0	0	1,502,111	12/31/95
Illinois	GR393173	2,147,478	2,125,374	2,147,478	0	22,104	6/30/94
	GR493173	2,421,723	2,366,274	2,094,877	271,397	55,449	6/30/95
Indiana	GR493183	1,708,235	1,708,235	1,708,235	0	0	6/30/95
Iowa	GR493193	156,468	143,109	71,695	71,414	13,359	6/30/95
Kansas	GR493203	116,069	91,725	91,725	0	24,344	6/30/95
Kentucky	GR393213	12,118,352	12,073,804	12,062,680	11,124	44,548	12/31/93
	GR493213	12,204,711	11,966,696	11,963,476	3,220	238,015	12/31/94
	GR593213	12,412,454	12,146,652	11,890,421	256,231	265,802	12/31/95
Maryland	GR493243	443,864	443,864	0	443,864	0	9/30/94
	GR593243	446,308	288,661	288,661	0	157,647	9/30/95
Missouri	GR493293	406,255	335,138	335,138	0	71,117	6/30/95
Montana	GR493303	741,636	741,636	741,636	0	0	6/30/95
New Mexico	GR493353	681,718	551,799	551,799	0	129,919	6/30/95
Ohio	GR393393	2,964,699	2,629,709	2,634,624	0	334,990	9/30/93
	GR493393	2,494,927	2,188,078	2,195,338	0	306,849	9/30/94
Oklahoma	GR593403	848,494	847,351	802,594	44,757	1,143	9/30/95
Pennsylvania	GR493423	10,512,400	9,045,355	9,271,675	0	1,467,045	9/30/94
	GR593423	10,559,476	9,792,603	8,409,082	1,383,521	766,873	9/30/95
Texas	GR593483	1,195,607	1,195,607	0	1,195,607	0	11/30/95
Virginia	GR493514	225,846	202,312	202,312	0	23,534	8/31/95
	GR593513	3,061,835	2,861,718	0	2,861,718	200,117	12/31/95
West Virginia	GR593543	7,469,870	6,850,783	3,126,825	3,723,958	619,087	10/31/95
Totals		\$89,884,278	\$83,477,802	\$72,705,855	\$11,032,969	\$6,406,476	

¹Total drawdowns minus total costs reported.

²Grant amount minus total drawdowns.

SUMMARY OF OPEN REGULATORY GRANTS BY YEAR OF COMPLETION

Calendar Year	No. of Grants	Grant Amount	Total Drawdowns	Total Costs Reported	Unsupported Drawdowns ¹	Balance Remaining ²
1993	2	\$15,083,051	\$14,703,513	\$14,697,304	\$11.124	\$379,538
1994	6	29,273,171	27,238,692	27,047,715	447,084	2,034,479
1995	19	45,528,056	41,535,597	30,960,836	10,574,761	3,992,459
Totals	27	\$89,884,278	\$83,477,802	\$72,705,855	\$11,032,969	\$6,406,476

¹Total drawdowns minus total costs reported.

²Grant amount minus total drawdowns.



United States Department of the Interior

OFFICE OF SURFACE MINING
Reclamation and Enforcement
Washington, D.C. 20240

IN REPLY REFER TO:

SEP 30 1996

Memorandum

To: Acting Assistant Inspector General for Audits

From: Acting Director *Kathrine Henry*

Subject: Response to Draft Survey Report on State Reclamation and Regulatory Grant Programs, Office of Surface Mining Reclamation and Enforcement (Assignment No. E-IN-OSM-003-96)

This is in response to your August 30, 1996 memorandum and draft survey report entitled "State Reclamation and Regulatory Grant Programs, Office of Surface Mining Reclamation and Enforcement (Assignment No. E-IN-OSM-003-96). We appreciate the opportunity to review the draft survey and to provide our comments.

We have completed our review of the draft survey and concur with its findings and recommendations. Our specific plans for implementing your recommendations are explained in the attachment. The Assistant Director for Finance and Administration, and the Assistant Director for Program Support will be the responsible officials for carrying out the implementation plan.

If you have any questions concerning our response, please contact George Stone, Audit Coordinator, Office of Strategic Planning and Budget, at (202) 208-7840.

Attachment

**Planned Action on Recommendation in OIG Draft Survey Report-
State Reclamation and Regulatory Grant Programs (E-IN-OSM-003-96)**

The table below reflects the actions planned to implement the recommendations and a projected target date for completion of those actions. The officials responsible for plan implementation are the Assistant Director for Finance and Administration, and the Assistant Director for Program Support.

Recommendation	Planned Action	Projected Completion Date	Action Official
<p>Improve controls over the monitoring of regulatory grant funds to ensure that expenditure and closeout reports are submitted in a timely manner, which will ensure that unused funds are returned promptly to the U.S. Treasury.</p>	<p>Modify the "Past Due Grant Close-Out" tracking report to provide for system generated explanations regarding the status of open grants.</p>	<p>03/31/97</p>	<p>AD/FA</p>
	<p>Send the tracking report to the Regional Coordinating Centers periodically (monthly or quarterly) for update.</p>	<p>03/31/97</p>	<p>AD/FA</p>
	<p>Schedule an annual review of the status of open grants as part of oversight of the grants program.</p>	<p>03/31/97</p>	<p>AD/PS</p>

STATUS OF AUDIT REPORT RECOMMENDATION

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1	Resolved; not implemented.	No further response to the Office of Inspector General is required. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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