



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

AUDIT REPORT

**DEFERRED MAINTENANCE,
NATIONAL PARK SERVICE,
U.S. FISH AND WILDLIFE SERVICE,
U.S. GEOLOGICAL SURVEY,
BUREAU OF INDIAN AFFAIRS,
BUREAU OF LAND MANAGEMENT,
AND BUREAU OF RECLAMATION**

**REPORT NO. 99-I-874
SEPTEMBER 1999**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

AUDIT REPORT

SEP 28 1999

Memorandum

To: Assistant Secretary for Policy, Management and Budget

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

Subject: Audit Report on Deferred Maintenance, National Park Service,
U.S. Fish and Wildlife Service, U.S. Geological Survey, Bureau of Indian
Affairs, Bureau of Land Management, and Bureau of Reclamation
(No. 99-I-874)

INTRODUCTION

This report presents the results of our review of the fiscal year 1998 deferred maintenance cost estimates prepared by the National Park Service, the U.S. Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Indian Affairs, the Bureau of Land Management, and the Bureau of Reclamation. The initial objective of the review was to determine, as part of our audit of the bureaus' fiscal year 1998 financial statements, whether the six bureaus' deferred maintenance cost estimates were reliable and prepared in accordance with applicable Federal financial accounting standards and Department of the Interior guidance. Because the Office of Management and Budget determined, after initiation of our fieldwork, that the bureaus' deferred maintenance cost estimates reported in their fiscal year 1998 financial statements were not subject to audit, we revised our objective. As revised, our objective was to determine whether actions were needed to ensure that the bureaus' deferred maintenance accounting and budgetary information was reported accurately.

BACKGROUND

In November 1995, the Office of Management and Budget and the General Accounting Office issued Statement of Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment." Standard No. 6 imposed certain financial reporting requirements on Federal agencies, including disclosure of estimated deferred maintenance

costs in the agencies' financial statements for fiscal years beginning after September 30, 1997. In January 1999, the Office of Management and Budget issued a statement that agencies were required to report their fiscal year 1998 estimated deferred maintenance costs in their financial statements but for that fiscal year, the estimates would not be subject to audit.

In May 1998, the Assistant Secretary for Policy, Management and Budget issued Department of the Interior guidance in Attachment G to the document "Fiscal Year 2000 Budget Formulation Guidance" to provide directions on the 5-year maintenance and capital improvement plans; compliance with Standard No. 6; and the review of facilities-related information systems requirements. In this guidance, the Department directed the bureaus to use the condition assessment method to identify their deferred maintenance needs, describing condition assessments as "a complete inventory of their constructed assets [to] identify the cost of correcting the deferred maintenance needs associated with those assets." The "Guidance" also identified steps needed "to achieve Interior-wide consistency in determining the physical condition of constructed assets"; stated that a condition code (good, fair, or poor) should be assigned to inspected assets; and defined deferred maintenance as the "unfunded or otherwise delayed work required to bring a facility or item of equipment to a condition that meets accepted codes, laws, and standards and preserves the facility or equipment so that it continues to provide acceptable services and achieves its expected life."

The Departmental "Guidance" also discussed the information systems used to record maintenance information and described a "continuing Department-wide facilities management improvement effort" that would include a "review of maintenance data requirements, systems, and applications." The "Guidance" also stated that the bureaus did not have "consistent levels of deferred maintenance data in their facility management systems"; that the maintenance systems were "of varying quality"; and that deferred maintenance data systems "in some cases, need functional improvement."

SCOPE OF AUDIT

We conducted our audit between September and December 1998 at the bureau locations and sites described in Appendix 1. To accomplish our revised objective, we reviewed applicable Federal accounting standards; Department of the Interior and bureau guidance, policies and procedures, and planning and budget documents; bureau internal review reports; and documentation on condition assessments and deferred maintenance cost estimates. We also interviewed bureau staff and, in some cases, sent questionnaires to bureau officials responsible for deferred maintenance activities. Where feasible, we selected, on either a random or a judgmental basis, deferred maintenance projects for review.

Of the \$13.4 billion of estimated deferred maintenance costs initially reported by the bureaus as of September 30, 1998, we reviewed deferred maintenance projects or project costs totaling \$542.5 million as follows:

<u>Bureau</u>	<u>Deferred Maintenance Estimated Costs (in 000's)</u>
National Park Service*	\$185,500
U.S. Fish and Wildlife Service	95,800
U.S. Geological Survey	7,900
Bureau of Indian Affairs**	180,000
Bureau of Land Management	71,800
Bureau of Reclamation	<u>1,500</u>
Total	<u>\$542,500</u>

* We selected for review a sample of 61 of the 4,183 deferred maintenance projects in the Park Service's Project Management Information System database, 20 of the 131 deferred maintenance projects in its database on dams, and 61 of its 1,184 deferred maintenance projects in its database on bridges. We reviewed documentation on roads and employee housing projects, but we could not reconcile this documentation with the Park Service's roads and employee housing deferred maintenance databases.

** We reviewed \$180 million of the Bureau of Indian Affairs irrigation systems deferred maintenance cost of \$1.2 billion. Because the Bureau maintained no subsidiary ledgers to show the individual projects constituting its road maintenance and road construction projects, we were unable to sample and analyze the estimated deferred maintenance costs for these two asset categories.

We conducted our audit 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. We also evaluated the systems of internal controls over the amounts reported for deferred maintenance to the extent that we considered necessary to accomplish our audit objective. We found internal control weaknesses in the procedures and systems for identifying, estimating the cost of, and documenting deferred maintenance projects and project costs. 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 the six bureaus' annual assurance statements on management controls for fiscal year 1998 and determined that the bureaus reported no weaknesses within the objective and scope of our review. The Report on Accountability, however, listed a new material weakness: "Inadequate Departmentwide maintenance management capability." According to the Report, this material weakness impacts "most bureaus" and is a "mission critical" weakness.

PRIOR AUDIT COVERAGE

During the past 5 years, the Office of Inspector General and the General Accounting Office have each issued three reports on deferred maintenance issues pertaining to three of the six bureaus.

The Office of Inspector General reports are as follows:

- "Followup of Maintenance Activities, National Park Service" (No. 98-I-344), dated March 1998, addressed several maintenance issues, including the Park Service's discontinued use of its standardized maintenance management system, that adversely impacted the Park Service's ability to track and monitor deferred maintenance performance.

- "Testimony of Robert J. Williams, Acting Inspector General, U.S. Department of the Interior, on Facilities Maintenance at the Bureau of Land Management and the U.S. Fish and Wildlife Service Before the Subcommittee on Interior and Related Agencies, Committee on Appropriations, U.S. House of Representatives" (No. 98-T-350), dated February 1998, presented the Office of Inspector General's review of maintenance backlogs. The testimony specifically discussed (1) estimated deferred maintenance costs and the composition of maintenance backlogs, (2) procedures used to develop backlog estimates, (3) the reliability of the backlog data, and (4) procedures used to manage backlogs. The testimony concluded that both bureaus needed to take actions to improve the reliability of their maintenance backlog data.

- "Maintenance Activities, Bureau of Land Management" (No. 94-I-1067), dated August 1994, stated that the Bureau of Land Management did not have adequate procedures to ensure that needed maintenance work was identified and prioritized, which resulted in maintenance work being deferred and in health and safety hazards and potential damages to resources.

The General Accounting Office reports are as follows:

- "Recreation Fees Demonstration Has Increased Revenues, but Impact on Park Service Backlog Is Uncertain" (No. GAO/T-RCED-99-101), dated March 1999, presented the testimony of the General Accounting Office on the Park Service's Fee Demonstration Program. The report stated that the Program "appears to be working well and meeting many of the law's intended objectives" and that the Program will provide the Park Service with a "substantial increase in funding." The report noted, however, that the Park Service needed "to develop more accurate and reliable information on its deferred maintenance needs" and that the Park Service "should be held accountable for demonstrating its accomplishments in improving the management of Park Service facilities with [the Fee Demonstration Program funds]."

- "National Park Service Efforts To Identify and Manage the Maintenance Backlog" (No. GAO/RCED-98-143), dated May 1998, stated that the Park Service's most recent

maintenance backlog cost estimate did not accurately reflect the scope of the Park Service's maintenance needs. According to the report, \$5.6 billion of the Park Service's reported \$6.1 billion maintenance backlog was for construction projects and \$1.2 billion, or 21 percent, of the \$5.6 billion was for expenditures "that expand or upgrade park facilities" that "go beyond what could reasonably be viewed as maintenance." The report also stated that "the absence of a common definition of what should be included in the maintenance backlog, contributed to an inaccurate" estimate of the Park Service's maintenance needs. The report concluded that to address its maintenance backlog, the Park Service needed to develop accurate estimates of its total maintenance needs so that it could better track progress in meeting them.

- "Deferred Maintenance Reporting: Challenges to Implementation" (No. GAO/AIMD-98-42), dated January 1998, stated that "most agencies do not have experience generating agencywide estimates of deferred maintenance because historically they have not been required to do so." The report also stated that at all agencies reviewed, some "initial steps have been taken, but significant work remains to be done for all agencies to effectively implement the deferred maintenance requirements promptly."

RESULTS OF AUDIT

We found that the National Park Service, the U.S. Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Indian Affairs, the Bureau of Land Management, and the Bureau of Reclamation needed to implement actions to ensure that deferred maintenance information is reliable for budgetary and accounting purposes. Specifically, we found that deferred maintenance estimates reported by the bureaus were not reliable because they (1) were based on differing assumptions; (2) were not supported with adequate documentation to show that condition assessments had been performed or to support the project cost estimates; (3) in some cases included costs for new construction, duplicate deferred maintenance needs, completed projects, or assets that were not needed or did not exist; and (4) did not include all deferred maintenance needs. Statement of Federal Financial Accounting Standards No. 6 requires Federal agencies to measure their deferred maintenance needs, and the Department of the Interior's "Fiscal Year 2000 Budget Formulation Guidance" requires Departmental bureaus to "fully determine and document the condition of a facility or item of equipment" through condition assessments and to estimate the cost of proposed deferred maintenance projects. However, the Department and the bureaus had not addressed all of the significant issues related to defining deferred maintenance, had not identified all deferred maintenance projects and related cost estimates, and had not established adequate management and system controls over deferred maintenance data. As a result, neither the Department nor any of the bureaus could adequately support their deferred maintenance cost estimates, based on our review of \$542.5 million of estimated deferred maintenance costs. In addition, the Department and the bureaus did not have reliable data to support their budget requests for deferred maintenance funding because deferred maintenance information was incomplete and inaccurate.

Current, Complete, and Reliable Estimates

We found that the six bureaus' fiscal year 1998 deferred maintenance cost estimates were not reliable, as discussed in the paragraphs that follow.

Defining Deferred Maintenance Needs. Although Attachment G to the Department's "Guidance" provided definitions of maintenance and construction terms, we found inconsistencies between bureaus and also within a bureau on the types of projects and project costs that should be reported as deferred maintenance. For example:

- Four bureaus included compliance with the Americans with Disabilities Act of 1990 (2 U.S.C. 1331) as deferred maintenance requirements, while two bureaus did not include these requirements.

- Four bureaus had deferred maintenance projects for the cost of cleaning debris from damage caused by storms and for the cost of repairing facilities damaged by people. The Fish and Wildlife Service also had a \$7 million deferred maintenance project for replacing a facility that was damaged in a flood.

- Three bureaus included the cost of hazardous materials cleanup in their deferred maintenance estimates. In our opinion, such costs would have been more appropriately included in the bureaus' Environmental Cleanup Liability disclosure statements in their annual financial reports.

- Four bureaus included the cost of the demolition/removal of discontinued facilities in their deferred maintenance estimates. The Fish and Wildlife Service, for example, included the cost to remove facilities from newly acquired refuge and hatchery properties in its deferred maintenance listing. At one site, the Service recorded estimated deferred maintenance costs of \$950,000 to remove about 34 buildings and structures (1 of which was a missile launch pad facility).

- Two bureaus included exhibit/museum rehabilitation/replacement costs as deferred maintenance needs.

- The Geological Survey's cost to replace or upgrade obsolete technological equipment was included as a deferred maintenance need. For example, the Geological Survey's deferred maintenance listing included an estimated cost of \$350,000 to replace a 20-year old "power source" at its Earth Resources Observation System Data Center. According to a Geological Survey official, the existing equipment was outdated and the proposed replacement would be more efficient and provide an uninterrupted source of power.

- Four bureaus included compliance with local building/fire codes and Occupational Safety and Health Administration regulations as deferred maintenance needs.

We also found that the bureaus were not consistent in determining which assets to include in their deferred maintenance listings and may have misinterpreted Departmental guidance on asset ownership, which stated that all assets reported as property, plant, and equipment should be included in the estimate. For example:

- The Bureau of Reclamation did not estimate the deferred maintenance costs related to Bureau-owned reclamation projects that were operated by other entities.

- The Park Service's Concessions Program Manager said that the Park Service excluded most Government-owned facilities assigned to concessioners from its deferred maintenance cost estimate. In most cases, the concessioners were responsible for maintaining the facilities under contract provisions.

- The Fish and Wildlife Service had deferred maintenance projects for the repair of facilities that were owned by another Federal agency (the U.S. Army Corps of Engineers) or by state and local governments if the facilities were located on national wildlife refuges or national fish hatcheries.

Identifying Deferred Maintenance Needs. Although Attachment G of the "Guidance" required the bureaus to conduct condition assessments to identify their deferred maintenance needs and to inventory asset conditions, we found that none of the six bureaus had current or complete condition assessments. Some bureaus had conducted condition assessments for some of their assets, but others had not conducted the assessments or had relied on outside agencies to identify their deferred maintenance needs. For example:

- The Fish and Wildlife Service conducted condition assessments on 34 percent (41 of 119 projects reviewed) of the assets sampled.

- The Bureau of Land Management conducted condition assessments for all of its recreation sites (except for 15 sites under one field office), dams, and bridges that we tested. In addition, the Bureau conducted condition assessments for some of its administrative sites. However, it did not conduct condition assessments for its roads, which constituted more than 60 percent of its estimated deferred maintenance cost of \$265.3 million.

- The Bureau of Indian Affairs stated that it had identified its deferred maintenance needs using condition assessments. However, the condition assessments were not current and dated back to 1974 for its roads and 1993 for its irrigation projects.

- The Geological Survey did not conduct condition assessments to identify its deferred maintenance needs.

- The National Park Service conducted condition assessments for only certain assets. Of 61 sampled projects listed in the Park Service's Project Management Information System, we found that only 31 (50 percent) were supported by condition assessments. Similar conditions were found for the Park Service's dam projects. We sampled 20 projects recorded

in the Park Service's dams database and found that only 5 (25 percent) were supported by condition assessments. Also, the Park Service relied on the Department of Transportation's Federal Highway Administration for its cost estimate of deferred maintenance for roads (which was not documented) and on an internal database for its cost estimate of deferred maintenance for housing (which also was not documented).

We believe that all six bureaus did not complete their condition assessments because neither the Department nor the bureaus issued timely guidance that reinforced the requirement to have deferred maintenance estimates based on condition assessments. The Department issued its guidance in May 1998 and conducted a meeting with the bureaus to discuss the guidance in June 1998, 3 months before the end of the fiscal year. We also noted that three of the six bureaus did not issue implementing guidance. Further, the three bureaus that issued guidance did not provide sufficient time for implementation. For example, the Bureau of Indian Affairs issued implementing guidance on June 5, 1998, and requested program officials to submit their deferred maintenance listings by June 15, 1998. On June 12, 1998, the Geological Survey issued "Instructions" to program officials that required the final deferred maintenance data to be submitted to the headquarters by July 6, 1998.

Estimating Deferred Maintenance Costs. We found that the deferred maintenance cost estimates were either not prepared in a consistent manner or were not supported with adequate documentation. As a result, we could not determine whether the bureaus' deferred maintenance cost estimates were reliable. For example:

- Of 119 Fish and Wildlife Service projects reviewed, 73 projects, totaling \$41.3 million, either did not have documentation or did not have adequate documentation to support the cost estimates.

- Of 61 projects reviewed in the Park Service's Project Management Information System, 30 projects were not supported with documented cost estimates.

- The Bureau of Land Management did not have documentation to support its roads deferred maintenance, which constituted 60 percent of its deferred maintenance costs.

- The Bureau of Indian Affairs used its operation and maintenance budget as the basis for its cost estimate of deferred road maintenance and had no documentation to support its estimated costs for projects.

- The Geological Survey did not provide adequate documentation to support its deferred maintenance cost estimates for 79 of the 94 projects reviewed.

Recording, Validating, and Safeguarding Data

Although some bureaus had adequate systems for recording maintenance data, we found that none of the bureaus had adequate systems to record and report deferred maintenance data and controls to ensure that the data were accurate, current, complete, and safeguarded against

unauthorized revision. Specifically, we found deferred maintenance data inaccuracies as follows:

- Bureaus included projects in their deferred maintenance listings that did not qualify under Departmental or bureau guidance because the data had not been reviewed and validated. For example, the Fish and Wildlife Service included in its deferred maintenance listing a planned \$750,000 hatchery facility, even though Service guidance stated that new construction should not be included in the deferred maintenance listing. Also, the Bureau of Land Management had deferred maintenance projects totaling \$1.2 million for new construction, including parking areas, restrooms, signs, water supplies, fencing, and picnic units, and a project totaling \$1.8 million to expand the existing paved surface at the Grand Junction Air Center in Colorado. The Bureau of Reclamation listed the \$75,000 purchase of two new equipment items as deferred maintenance needs.

- Bureaus had duplicate projects, reporting items under more than one category of their deferred maintenance needs. For example, the Bureau of Land Management had \$334,000 in duplicate costs related to recreation sites in Nevada. Also, the Park Service's Project Management Information System included a \$144,000 bridge construction project that was also listed in its bridges deferred maintenance database.

- Bureaus generally did not have a systematic method to ensure that completed deferred maintenance projects were eliminated from the deferred maintenance listing. For example, the Bureau of Land Management's deferred maintenance listing included completed projects for road work and recreation site facilities totaling \$164,000. Also, five Fish and Wildlife Service deferred maintenance projects, totaling about \$600,000, were completed.

- Bureaus omitted potential deferred maintenance projects. Regional Park Service officials, for example, said that the deferred maintenance listing did not include at least 285 park-identified deferred maintenance projects, totaling about \$200 million, because insufficient time was provided to review and approve items such as a bridge rehabilitation, costing \$3.1 million, and a road drainage system repair, costing \$75,000.

- One bureau, the Bureau of Indian Affairs, had no documents to support \$4.6 billion (road maintenance and road construction projects) of the estimated deferred maintenance costs of more than \$8 billion it reported. The Bureau maintained road construction project files, but the data in these files could not be traced to the Bureau's deferred maintenance cost estimate because the estimate was not supported with a subsidiary ledger or other detailed project listing.

Relying on Deferred Maintenance Information for Budgetary Decisions

We believe that the Department needs to prepare reliable deferred maintenance cost estimates to support its budget requests for deferred maintenance funding. In reviewing specific deferred maintenance projects included in the Department's budget for fiscal year 1999 that

were identified as having a "high priority," we found projects that should not have been listed as deferred maintenance items and projects for which condition assessments had not been performed and cost estimates had not been prepared as follows:

- There were no condition assessments or cost estimates to support a \$500,000 Fish and Wildlife project to rehabilitate an office and upgrade the heating systems.

- A \$100,000 Bureau of Land Management project was listed for the replacement of a bridge that had been replaced.

- A \$238,000 Park Service project to restore a historic structure was listed, even though a Park Service official stated that the project was no longer a valid deferred maintenance need.

- A \$240,000 Bureau of Land Management project for recreation area safety improvements was recommended for funding, even though the site had no facilities other than a picnic table and a bulletin board.

- A \$175,000 Park Service project to restore drainage was listed for which no condition assessment had been performed and no cost estimate prepared. According to a Park Service official, this project was not a valid deferred maintenance need.

- A Bureau of Land Management official described a \$60,000 project and a \$100,000 project as needed but not the highest priorities.

- A \$148,000 Park Service project to replace a septic system was listed. This system had exceeded its useful life, and the project provided for a significantly upgraded system.

- A Bureau of Land Management official stated that a \$250,000 project to construct new facilities should not have been included in the budget request.

Improving the Reliability of Deferred Maintenance Data

To meet the deferred maintenance reporting requirements, some bureaus have taken actions to improve data reliability. For example:

- The Bureau of Land Management has developed and, at the time of our review, was implementing the "Project Plan for Implementing the Deferred Maintenance Standard of SFFAS [Statement on Federal Financial Accounting Standards] No. 6." This plan identified 24 tasks to be completed between May 1998 and October 1999, including defining critical terms, reaffirming Bureau policy, enhancing systems, and performing condition assessments.

- The Fish and Wildlife Service said that it planned to add data fields to its maintenance management system to record additional deferred maintenance data, such as the source of cost estimates and the date the estimates were prepared.

- The Department of Transportation, which prepared the Park Service's deferred maintenance cost estimate for roads, stated that it would complete comprehensive and reliable condition assessments on all Park Service-paved roads by the end of fiscal year 2000.

- The Geological Survey, in its financial statements for fiscal year 1998, said that it was "developing a condition assessment process and reviewing the need for a maintenance tracking system."

- The Bureau of Indian Affairs, in its financial statements for fiscal year 1998, stated that it had established a schedule for beginning condition assessments and a process for periodic reassessments.

Although the bureaus are taking actions to improve the reliability of their deferred maintenance data, we believe that Departmental involvement is needed so that consistent criteria are applied in the identification of bureau deferred maintenance needs and that adequate controls are implemented to ensure that bureau deferred maintenance cost estimates meet Federal (Standard No. 6) and Departmental requirements.

Recommendations

We recommend that the Assistant Secretary for Policy, Management and Budget:

1. Establish additional criteria for the bureaus to use in determining the types of projects or items which should be included in their deferred maintenance listings, including factors such as compliance with the Americans With Disabilities Act, asset ownership (as a basis for including an item in a bureau's deferred maintenance project listing), hazardous materials cleanup, emergency repair and replacement needs resulting from severe weather damage or other disasters, demolition/removal of unneeded assets, museum exhibit costs, replacement of obsolete equipment, and compliance with building or safety code regulations.

2. Establish a requirement that bureaus should prepare and maintain documentation to support their condition assessments and deferred maintenance cost estimates.

3. Require bureaus to establish management and system controls to ensure that their deferred maintenance data are reviewed, approved, and validated.

Office of the Assistant Secretary for Policy, Management and Budget Response and Office of Inspector General Reply

In the August 12, 1999, response (Appendix 2) to the draft report from the Assistant Secretary for Policy, Management and Budget, the Office of Policy, Management and Budget indicated that it concurred with all three recommendations and included in its response (Attachment A to Appendix 2) an excerpt of its "2001 Budget Guidance," which included instructions on bureau compliance with Standard No. 6. However, the Office did not provide specific information on actions taken or planned, including target dates and titles

of the officials responsible for implementation. Accordingly, we request that the Office provide the information described in Appendix 3.

Recommendation 1. Concurrence indicated.

Office of Policy, Management and Budget Response. The Office of Policy, Management and Budget stated that changes to Standard No. 6 are expected in October 1999 and that the "new standards will modify the way deferred maintenance will be reported in the future." The Office also said that although "additional standardization among bureaus would be beneficial, the Department believes that allowing appropriate flexibility in applying deferred maintenance standards is necessary to recognize the different operating needs of individual bureaus." Further, the Office said that it "continues to standardize definitions through coordinated efforts between budget, financial management and maintenance personnel and is committed to improving the definition used in deferred maintenance reporting."

Office of Inspector General Reply. We found that the bureaus were inconsistent in the types of items included in deferred maintenance listings. For example, some bureaus included and others excluded equipment replacements from their listings. Also, some bureaus included items in their deferred maintenance backlog listing (such as the replacement of obsolete equipment and storm-damaged facilities) that, in our opinion, were capital requirements rather than deferred maintenance items as defined in Standard No. 6. As such, we believe that additional Departmental guidance is needed to ensure that the bureaus consistently use, to the maximum extent practicable, the prevailing definition (Standard No. 6) to identify their deferred maintenance needs. Because the Office did not provide specific information on the actions it had taken to standardize and improve the definition of deferred maintenance, we could not determine whether it had established adequate criteria for the bureaus to determine the types of projects or items that should be included in deferred maintenance listings. Consequently, we request that the Office provide documentation of the guidance issued to the bureaus on the criteria for determining deferred maintenance needs or the title of the official responsible for issuing the guidance and the date by which the guidance will be issued.

Recommendation 2. Concurrence indicated.

Office of Policy, Management and Budget Response. The Office of Policy, Management and Budget stated that the Department had "elected to perform condition assessments on a rotating basis" and that "while most property will be reviewed on a not to exceed 5 year cycle, condition assessments might not be performed on property where management does not see the need of making the improvements in the foreseeable future." Also, the Office said, "In no case would the Department expect to perform condition assessments on 100% of assets." The Office also said that "it is the current policy of the Department to prepare and maintain appropriate documentation to support the condition assessments and deferred maintenance cost estimates."

Office of Inspector General Reply. The Office stated that it intends to give managers discretion to determine whether to perform condition assessments and that it does not expect to perform condition assessments on all of its assets but that all deferred maintenance needs should be disclosed (Attachment A to Appendix 2). As such, we consider the preparation of documentation to be essential to our ability to determine whether condition assessments were performed and to validate the bureaus' reported deferred maintenance needs and the related estimated costs in the absence of condition assessments. During our review, we found no Departmental or bureau policy that required documentation to be prepared and maintained which showed that condition assessments were performed. Because the Office did not include in its response a copy of the policy that requires bureaus to prepare and maintain appropriate documentation to support the condition assessments and deferred maintenance cost estimates, we request that the Office provide a copy of the policy issued or identify the official responsible and the target date for issuing the policy.

Recommendation 3. Concurrence indicated.

Office of Policy, Management and Budget Response. The Office of Policy, Management and Budget said that "the Department concurs with the need to provide additional guidance on management and systems control to ensure that deferred maintenance data is properly approved, reviewed, and validated" and that it would provide the additional guidance after the revised Federal deferred maintenance standards had been received and analyzed.

Office of Inspector General Response. We believe that the bureaus need to establish management and system controls to ensure the reliability of their deferred maintenance data in advance and independent of the issuance of additional guidance on deferred maintenance. The absence of adequate controls (such as procedures which ensure that documentation showing that condition assessments have been performed) results in deferred maintenance cost estimates that cannot be validated for reliability because of the lack of supporting documentation. An adequate control system is needed for the bureaus to safeguard their deferred maintenance data and to be able to rely on the completeness and accuracy of the data regardless of changes in the methods used to identify deferred maintenance or the definitions applied to deferred maintenance. Accordingly, we request that the Office provide information on the actions it plans to take to require bureaus to establish management and system controls which ensure that their deferred maintenance data are reviewed, approved, and validated and provide the title of the official responsible and the target date for issuing guidance on management and system controls.

Additional Comments on Audit Report

In its response, the Office of Management and Budget provided additional comments (Attachment B to Appendix 2) on the audit report, as described in the paragraphs that follow.

Results of Audit. The Office stated that because the audit report indicated that the bureaus did not have experience in generating estimates of deferred maintenance, we "should

be evaluating progress being made towards compliance with the financial standards as opposed to whether the bureaus have achieved ultimate compliance with the financial standards."

The objective of the audit was to determine whether the Department needed to take actions to ensure that the bureaus' deferred maintenance accounting and budgetary information was reported accurately. Accordingly, we identified three areas (the three recommendations) in which improvements were needed. Our report recognized that the bureaus had taken actions to improve the reliability of deferred maintenance data and acknowledged that identifying, estimating the cost of, and reporting deferred maintenance needs were significant undertakings.

Defining Deferred Maintenance Needs. The Office commented on two deferred maintenance items discussed in the report. Regarding a U.S. Fish and Wildlife Service project that provided for a \$7 million replacement of a facility that was damaged by a storm, the Office stated that the Service considered the project to be a "legitimate" deferred maintenance need because the facility was "unable to be fixed at the time of the damage." Regarding the replacement or the upgrading of obsolete technological equipment, the Office stated that the Geological Survey "believes that technological obsolescence and replacement costs . . . should be included in its deferred maintenance listing" because these items provide for the "Survey's networks and gaging stations to provide acceptable services."

We discussed these two items in our report to illustrate that bureaus included items in their deferred maintenance listings that may have been inconsistent with the definition of deferred maintenance as stated in Standard No. 6. In the case of the Service's project, the work entailed replacing a facility that was storm damaged, not repairing a facility for which maintenance had been deferred. We also considered the replacement of obsolete equipment to be inconsistent with the definition of deferred maintenance in Standard No. 6, which states that deferred maintenance is maintenance that is "needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life." (Emphasis added.) Although we recognize that the replacement of worn components may be valid deferred maintenance needs, we question whether the \$350,000 cost to replace a 20-year-old power source (not networks and gaging stations as indicated in the response) was a deferred maintenance project because it was based on the existing item being outdated, not being unserviceable or in need of repair.

Identifying Deferred Maintenance Needs. The Office stated that the Geological Survey "believes it would not be prudent to pursue condition assessments prior to Departmental guidance."

Our review was based on Federal financial accounting and Departmental guidance on deferred maintenance, both of which require that bureaus identify and estimate the cost of their deferred maintenance needs. The guidance does not authorize bureaus to waive the reporting requirement if they determine that pursuing "condition assessments prior to Departmental guidance" would not be "prudent."

Relying on Deferred Maintenance Information for Budgetary Decisions. The Office proposed that we revise the report to rephrase two comments made by bureau officials during our audit. We did not adopt the Office's proposed wording because the text of our report accurately reflects our record of the conversations with the bureau officials.

In accordance with the Departmental Manual (360 DM 5.3), we are requesting a written response to this report by October 29, 1999. The response should provide the information requested in Appendix 3.

Section 5(a) of the Inspector General Act (Public Law 95-452, as amended) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

We appreciate the cooperation of the personnel from the six bureaus and the Office of the Secretary in the conduct of our audit.

LOCATIONS VISITED OR CONTACTED

<u>BUREAU</u>	<u>LOCATION</u>
Bureau of Land Management	
Colorado State Office	Lakewood, Colorado
Grand Junction Engineering Center	Grand Junction, Colorado
California State Office	Sacramento, California
Bakersfield Field Office	Bakersfield, California
Hollister Field Office	Hollister, California
Ukiah Field Office	Ukiah, California
Palm Springs - South Coast Resource Area	North Palm Springs, California
Ridgecrest Resource Area	Ridgecrest, California
Bishop Resource Area	Bishop, California
Barstow Resource Area	Barstow, California
Nevada State Office	Reno, Nevada
Carson City Field Office	Carson City, Nevada
Ely Field Office	Ely, Nevada
Las Vegas Field Office	Las Vegas, Nevada
Elko Field Office	Elko, Nevada
Bureau of Reclamation	
Mid-Pacific Regional Office	Sacramento, California
Central California Area Office	Folsom, California
Lower Colorado Regional Office	Boulder City, Nevada
Lower Colorado Dams Facilities Office	Boulder City, Nevada
Pacific Northwest Regional Office	Boise, Idaho
Snake River Area Office	Boise, Idaho
Program Analysis Office	Lakewood, Colorado
Bureau of Indian Affairs	
Phoenix Area Office	Phoenix, Arizona
Albuquerque Area Office	Albuquerque, New Mexico
Navajo Area Office	Gallup, New Mexico

U.S. Geological Survey**National Center (Headquarters)**

Reston, Virginia

National Mapping Division:

Earth Resources Observation Center
Rocky Mountain Mapping Center

Sioux Falls, South Dakota
Denver, Colorado

Geologic Division:

Albuquerque Seismological Lab
Office of the Central Regional Geologist

Alaska Field Office, Government Hill
Office of the Western Regional Geologists
Western Coastal and Marine Geology Team
Eastern Coastal and Marine Geology Team

Albuquerque, New Mexico
Denver Federal Center, Lakewood,
Colorado
Anchorage, Alaska
Menlo Park, California
Redwood City, California
Woods Hole, Massachusetts

Water Resources Division:

Arizona District Office
Maryland District Office
New Mexico District Office
Iowa District Sediment Lab
Louisiana District Office
Colorado District Office
Ohio District Office
North Dakota District Office
New York District Office
Mississippi District Office
Texas District Office
Georgia District Office
Montana District Office
Florida District Office
Oregon District Office

Tucson, Arizona
Baltimore, Maryland
Albuquerque, New Mexico
Iowa City, Iowa
Baton Rouge, Louisiana
Lakewood, Colorado
Columbus, Ohio
Bismark, North Dakota
Troy, New York
Pearl, Mississippi
Austin, Texas
Atlanta, Georgia
Helena, Montana
Tallahassee, Florida
Portland, Oregon

Biological Resources Division:

National Wildlife Health Center
Great Lakes Science Center
Upper Midwest Environmental Science Center
National Wetlands Research Center
Pacific Islands Ecosystems Research Center
Northern Prairie Wildlife Research Center
Western Fisheries Research Center
Columbia Environmental Research Center
Leetown Science Center
Florida Caribbean Science Center
Western Ecological Research Center

Madison, Wisconsin
Ann Arbor, Michigan
LaCrosse, Wisconsin
Lafayette, Louisiana
Honolulu, Hawaii
Jamestown, North Dakota
Seattle, Washington
Columbia, Missouri
Kearneysville, West Virginia
Gainesville, Florida
Sacramento, California

National Park Service

Park Headquarters Facilities Management

Washington, D.C.

Parks:

George Washington Memorial Parkway
 Chesapeake and Ohio Canal National Historical Park
 Harpers Ferry National Historical Park
 Shenandoah National Park
 Blue Ridge Parkway
 Cumberland Islands National Seashore
 Indiana Dunes National Lakeshore
 Cuyahoga Valley National Recreation Area
 Gateway National Recreation Area
 Boston National Historical Park
 Minute Man National Historical Park
 Golden Gate National Recreation Area
 Point Reyes National Seashore
 Sequoia and Kings Canyon National Park
 Biscayne National Park
 Death Valley National Park
 Lincoln Home National Historic Site
 White Sands National Monument
 Yellowstone National Park
 Petrified Forest National Park
 Glen Canyon National Recreation Area
 Theodore Roosevelt National Park
 Dinosaur National Monument
 Lava Beds National Monument
 Lake Mead National Recreation Area
 Denali National Park and Preserve
 Grand Teton National Park
 Vicksburg National Military Park
 Natchez National Historical Park
 Sleeping Bear Dunes National Lakeshore
 Ozark National Scenic Riverway
 Wupatki National Monument
 Harry S. Truman National Historic Site
 Joshua Tree National Park
 Hagerman Fossil Beds National Monument

McLean, Virginia
 Sharpsburg, Maryland
 Harpers Ferry, West Virginia
 Luray, Virginia
 Asheville, North Carolina
 Saint Marys, Georgia
 Porter, Indiana
 Brecksville, Ohio
 Brooklyn, New York
 Boston, Massachusetts
 Concord, Massachusetts
 San Francisco, California
 Point Reyes, California
 Three Rivers, California
 Homestead, Florida
 Death Valley, California
 Springfield, Illinois
 Holloman Air Force Base, New Mexico
 Yellowstone, Wyoming
 Petrified Forest, Arizona
 Page, Arizona
 Medora, North Dakota
 Dinosaur, Colorado
 Tulelake, California
 Boulder City, Nevada
 Denali Park, Alaska
 Moose, Wyoming
 Vicksburg, Mississippi
 Natchez, Mississippi
 Empire, Michigan
 Van Buren, Missouri
 Flagstaff, Arizona
 Independence, Missouri
 Twentynine Palms, California
 Hagerman, Idaho

Department of Transportation

Federal Highway Administration, Federal
Land Highway Office
Federal Highway Administration, Eastern
Federal Lands Highway Division

Washington, D.C.

Sterling, Virginia

U.S. Fish and Wildlife ServiceRegion 1

Regional Office
Hawaiian and Pacific Islands Complex
Kilauea Point National Wildlife Refuge
Klamath Basin Complex, Lower Klamath
Little Pend Oreille National Wildlife Refuge
Malheur National Wildlife Refuge
Nisqually National Wildlife Refuge Complex
Sacramento National Wildlife Refuge Complex
Southeast Idaho Refuge Complex
Camas National Wildlife Refuge
Stillwater National Wildlife Refuge
Stone Lakes National Wildlife Refuge
Western Oregon Complex
Abernathy Salmon Culture Technology Center
Carson National Fish Hatchery
Dworshak National Fish Hatchery Complex
Kooskia National Fish Hatchery
Eagle Creek National Fish Hatchery
Hagerman National Fish Hatchery
Lahontan National Fish Hatchery
Leavenworth National Fish Hatchery Complex
Little White Salmon National Fish Hatchery
Lower Columbia River Fish Health Center
Makah National Fish Hatchery
Quilcene National Fish Hatchery
Spring Creek National Fish Hatchery

Portland, Oregon
Honolulu, Hawaii
Kauai, Hawaii
Tulelake, California
Colville, Washington
Princeton, Oregon
Olympia, Washington
Willows, California
Pocatello, Idaho
Hamer, Idaho
Fallon, Nevada
Sacramento, California
Corvallis, Oregon
Longview, Washington
Carson, Washington
Ahsahka, Idaho
Kooskia, Idaho
Estacada, Oregon
Hagerman, Idaho
Gardnerville, Nevada
Leavenworth, Washington
Cook, Washington
Underwood, Washington
Neah Bay, Washington
Quilcene, Washington
Underwood, Washington

Region 2

Regional Office
Anahuac National Wildlife Refuge
Brazoria and Big Boggy National Wildlife Refuge
Lower Rio Grande Valley/Santa Ana Complex
Sevilleta National Wildlife Refuge
Wichita Mountains Wildlife Refuge
Alchesay National Fish Hatchery
Dexter National Fish Hatchery and Technology Center
San Marcos National Fish Hatchery and Technology Center
Tishomingo National Fish Hatchery

Albuquerque, New Mexico
Anahuac, Texas
Angleton, Texas
Alamo, Texas
Socorro, New Mexico
Indianapolis, Oklahoma
Whiteriver, Arizona
Dexter, New Mexico
San Marcos, Texas
Tishomingo, Oklahoma

Region 3

Regional Office
 Crab Orchard National Wildlife Refuge
 Ottawa National Wildlife Refuge
 Seney National Wildlife Refuge
 Upper Mississippi River Wildlife and Fish Refuge
 LaCrosse District
 Mark Twain National Wildlife Refuge
 Brussels District
 Genoa National Fish Hatchery
 Jordan River National Fish Hatchery
 Neosho National Fish Hatchery

Fort Snelling, Minnesota
 Marion, Illinois
 Oak Harbor, Ohio
 Seney, Michigan
 Winona, Minnesota
 Onalaska, Wisconsin
 Quincy, Illinois
 Brussels, Illinois
 Genoa, Wisconsin
 Elmira, Michigan
 Neosho, Missouri

Region 4

Regional Office
 Alligator River National Wildlife Refuge
 Southeast Louisiana Refuges
 Cameron Prairie National Wildlife Refuge
 Cross Creeks National Wildlife Refuge
 Lacassine National Wildlife Refuge
 Lake Ophelia National Wildlife Refuge
 National Key Deer Refuge
 Noxubee National Wildlife Refuge
 Okefenokee National Wildlife Refuge
 Reelfoot National Wildlife Refuge
 Sabine National Wildlife Refuge
 St. Marks National Wildlife Refuge
 Northern Louisiana Wildlife Refuge Complex
 Wapanocca National Wildlife Refuge
 St. Catherine Creek National Wildlife Refuge
 Erwin National Fish Hatchery
 Natchitoches National Fish Hatchery
 Norfolk National Fish Hatchery
 Orangeburg National Fish Hatchery
 Welaka National Fish Hatchery
 Dale Hollow National Fish Hatchery Complex
 Wolf Creek National Fish Hatchery

Atlanta, Georgia
 Manteo, North Carolina
 Slidell, Louisiana
 Bell City, Louisiana
 Dover, Tennessee
 Lake Arthur, Louisiana
 Marksville, Louisiana
 Big Pine Key, Florida
 Brooksville, Mississippi
 Folkston, Georgia
 Union City, Tennessee
 Hackberry, Louisiana
 St. Marks, Florida
 Farmerville, Louisiana
 Turrell, Arkansas
 Sibley, Mississippi
 Erwin, Tennessee
 Natchitoches, Louisiana
 Mountain Home, Arkansas
 Orangeburg, South Carolina
 Welaka, Florida
 Celina, Tennessee
 Jamestown, Kentucky

Region 5

Regional Office
 Back Bay National Wildlife Refuge
 Erie National Wildlife Refuge
 Moosehorn National Wildlife Refuge
 Ninigret National Wildlife Refuge
 Petit Manan National Wildlife Refuge
 Eastern Shore of Virginia National Wildlife Refuge
 Berkshire National Fish Hatchery

Hadley, Massachusetts
 Virginia Beach, Virginia
 Guys Mills, Pennsylvania
 Baring, Maine
 Charlestown, Rhode Island
 Milbridge, Maine
 Cape Charles, Virginia
 Sunderland, Massachusetts

Green Lake National Fish Hatchery
 Harrison Lake National Fish Hatchery
 Regional Office Fishery Resources

Ellsworth, Maine
 Charles City, Virginia
 Hadley, Massachusetts

Region 6

Regional Office
 Arrowwood National Wildlife Refuge
 Bear River Migratory Bird Refuge
 Madison Wetland Management District
 Medicine Lake National Wildlife Refuge
 Alamosa/Monte Vista National Wildlife Refuge Complex
 National Elk Refuge
 Bozeman Fish Technology Center
 D.C. Booth Historic National Fish Hatchery
 Ennis National Fish Hatchery
 Garrison Dam National Fish Hatchery
 Jackson National Fish Hatchery
 Leadville National Fish Hatchery
 Saratoga National Fish Hatchery

Denver, Colorado
 Pingree, North Dakota
 Brigham City, Utah
 Madison, South Dakota
 Medicine Lake, Montana
 Alamosa, Colorado
 Jackson, Wyoming
 Bozeman, Montana
 Spearfish, South Dakota
 Ennis, Montana
 Riverdale, North Dakota
 Jackson, Wyoming
 Leadville, Colorado
 Saratoga, Wyoming

Region 7

Regional Office
 Kenai National Wildlife Refuge

Anchorage, Alaska
 Soldotna, Alaska



United States Department of the Interior

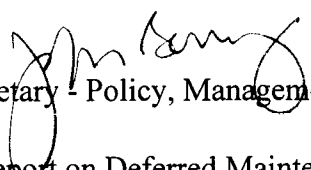
OFFICE OF THE SECRETARY
Washington, D.C. 20240

AUG 12 1999



Memorandum

To: Robert J. Williams
Assistant Inspector General for Audits

From: John Berry 
Assistant Secretary - Policy, Management and Budget

Subject: Draft Audit Report on Deferred Maintenance, National Park Service,
U.S. Fish and Wildlife Service, U.S. Geological Survey, Bureau of
Indian Affairs, Bureau of Land Management, and Bureau of Reclamation
(Assignment No. H-IN-MOA-001-99)

Thank you for the opportunity to review your draft report, subject as above. Our response to the reports' recommendations are as follows:

Response to Recommendations

Recommendation 1 - *Establish additional criteria for the bureaus to use in determining the types of projects or items which should be included in their deferred maintenance listings, including factors such as compliance with the Americans With Disabilities Act, asset ownership (as a basis for including an item in a bureau's deferred maintenance project listing), hazardous material cleanup, emergency repair and replacement needs resulting from severe weather damage or other disasters, demolition/removal of unneeded assets, museum exhibit costs, replacement of obsolete equipment, and compliance with building or safety code regulations.*

Departmental Response: FASAB has recently proposed changes to SFFAS #6 and final standards are currently awaiting Congressional clearance, which is expected by October 1999. These new standards will modify the way deferred maintenance will be reported in the future. While we concur that additional standardization among bureaus would be beneficial, the Department believes that allowing appropriate flexibility in applying deferred maintenance standards is necessary to recognize the different operating needs of individual bureaus. The Department continues to standardize definitions through coordinated efforts between budget, financial management and maintenance personnel and is committed to improving the definition used in deferred maintenance reporting as better information and understanding of management's needs and external reporting requirements evolve. The Department continues to refine its guidelines for implementing deferred maintenance as necessary to provide additional direction to bureaus for complying with deferred maintenance reporting.

- 2 -

Recommendation 2 - *Establish a requirement that bureaus should prepare and maintain documentation to support their condition assessments and deferred maintenance cost estimates.*

Departmental Response: According to SFFAS # 6, condition assessment surveys are required on a periodic basis to determine the current condition of plant, property, and equipment (PP&E) and estimated costs to correct any deficiencies. Management is to determine what methods and standards to apply. Once determined, it is desirable, but not required, that methods and standards be applied consistently from period to period.

The Department has elected to perform condition assessments on a rotating basis, recognizing variations in bureau operation requirements, management needs, and limited resources. Thus, while most property will be reviewed on a not to exceed 5 year cycle, condition assessments might not be performed on property where management does not see the need of making the improvements in the foreseeable future. In no case would the Department expect to perform condition assessments on 100% of assets. Conducting condition assessments on all assets to identify deferred maintenance needs is not considered an effective use of Department resources. Where condition assessments are conducted, it is the current policy of the Department to prepare and maintain appropriate documentation to support the condition assessments and deferred maintenance cost estimates.

Recommendation 3 - *Require bureaus to establish management and system controls to ensure that their deferred maintenance data are reviewed, approved, and validated.*

Departmental Response: The Department concurs with the need to provide additional guidance on management and systems control to ensure that deferred maintenance data is properly approved, reviewed, and validated. Additional guidance will be provided to bureaus upon the receipt and analysis of revised FASAB deferred maintenance standards.

In relation to Recommendation Nos. 2 and 3, in its "Year 2001 Budget Request Formulation", the Department has included guidance on "Compliance with FASAB #6 Requirements (see Attachment A). This guidance provides a timetable for bureaus to follow in submitting their FASAB #6 disclosure to the Office of Financial Management.

Deferred maintenance is and will continue to be an important priority for the Department. We will continue to work with the bureaus to ensure that deferred maintenance accounting and budgetary information is reported accurately.

- 3 -

We have included other comments in response to the “Results of Audit” section of the draft report. These comments are included in Attachment C.

If you have any questions or comments concerning this response to the draft audit report, please contact Deb Carey by calling 208-4701.

Attachments

Financial Management

Financial Management Systems Migration Project

The Financial Management Systems Migration Project (FMSMP) is underway. Adequate funding will be required in 2001 and future years. Funding requirements should be addressed in bureau budget submissions in accordance with planning information to be provided by the FMSMP Steering Committee of the Interior CFO Council based on the investment requirements formulated during the business case development phase of the FMSMP.

Compliance with FASAB #6 Requirements

The Statement of Federal Financial Accounting Standards Number 6, "Accounting for Property, Plant, and Equipment," requires **annual** disclosure of the estimated cost to remedy accumulated deferred maintenance on Interior plant, property, and equipment (PP&E) beginning in 1998. Both General PP&E and Stewardship PP&E are included. At a bureau option, the deferred maintenance cost may be further divided between "critical" and "non-critical."

FASAB requires that all deferred maintenance be reported regardless of when it might be performed, not just that included in the Five-Year Plans. The long-term goal is to have deferred maintenance backlog information based on condition assessments recorded in a facilities maintenance management information system. However, bureaus that do not currently have that capability should report based on the following.

To comply with this requirement and the associated audit, all deferred maintenance is to be disclosed including that expected to be remedied in 1999 and that included in the Five-Year Plans, and any other known deferred maintenance and other deferred maintenance needs and/or projects to be performed in years beyond the Five-Year Plans.

When projects on these 5-year lists contain both deferred maintenance and capital improvement work, it is important to only report the estimated cost of the deferred maintenance.

The deferred maintenance categories in the Five-Year Plan are as follows:

- Critical Health and Safety Deferred Maintenance
- Critical Resource Protection Deferred Maintenance
- Critical Mission Deferred Maintenance
- Compliance and Other Deferred Maintenance

Bureaus should submit their FASAB #6 disclosure to the Office of Financial Management according to the dates shown in the Timetable that follows:

September 2, 1999, bureaus submit 1999 deferred maintenance needs list to bureau auditors in support of the bureau FASAB financial statement reporting requirement.

November 30, 1999, Bureaus submit their final 1999 deferred maintenance needs list to bureau auditors in support of the bureau FASAB financial statement reporting requirement.

Guidance on accounting for Deferred Maintenance under the FASAB Standard is available from the Office of Financial Management and/or bureau financial officers.

Personnel

Personnel Systems

The Department is in the process of developing a plan for modernizing the Federal Payroll Personnel System (FPPS). The new system, being referred to as FPPS 2000, will have greatly improved reporting capability, additional functionality to support personnel business processes, a user-friendly web-based "look and feel," a state-of-the-art open-system architecture, and enhanced training and user documentation. The National Business Center will attempt to provide you with an estimate of FPPS 2000 costs by early June.

Training and Development

Over the next several years, the Department will engage in a concerted effort to enhance employee performance and productivity through training. Employee and supervisory training will be looked at as an "investment" rather than a "cost." Of particular importance will be the training of new supervisors and retraining of current supervisors. Each organization should plan to spend 2% of its budget for staff on training, including implementation of proactive efforts such as cost-effective "return to work" workers compensation programs. (Note: In private industry, world-class organizations spend between 5 and 10 % of their HR budget on training).

In order for the Department to remain competitive when recruiting or retaining employees, we must develop and utilize career intern programs and position ourselves to use all of the incentive programs available (recruitment bonuses, relocation bonuses, retention bonuses, and relocation expenses). To do this we recommend each bureau adopt as a goal applying up to 2% of its staffing budget to create a pool of funding (within the bureau or organization) from which managers can draw upon to fund career intern programs and/or pay for these incentives, as needed and appropriate.

ATTACHMENT B

ADDITIONAL COMMENTS:

Results of Audit (Page 5)

- ▶ Reference: The OIG's statement that none of the bureaus could adequately support their deferred maintenance estimates. Since the OIG recognizes that, "most agencies do not have experience generating estimates of deferred maintenance because historically they have not been required to do so" and "at all agencies reviewed, some initial steps have been taken, but significant work remains to be done for all agencies to effectively implement the deferred maintenance requirements promptly." This would indicate that the OIG should be evaluating progress being made towards compliance with the financial standards as opposed to whether the bureaus have achieved ultimate compliance with the financial standards.

Defining Deferred Maintenance Needs (Page 6)

- ▶ Reference: Bullet No. 2 - Fish and Wildlife Service had a \$7 million deferred maintenance project for replacing a facility that was damaged by a flood - Maintenance projects that result from storm damage and people damage are considered by the Fish and Wildlife Service to be legitimate deferred maintenance projects if they are unable to be fixed at the time of the damage and if they involve facilities that are needed to continue to provide acceptable services throughout their expected life.
- ▶ Reference: Bullet No. 6 - The Geological Survey included the cost to replace or upgrade obsolete technological equipment as a deferred maintenance need. The Survey believes that technological obsolescence and replacement costs of technical or scientific equipment should be included in its deferred maintenance listing. In order for the Survey's networks and gaging stations to provide acceptable services, replacing components for technological obsolescence is part of maintaining the entire system.

Identifying Deferred Maintenance Needs (Page 7)

- ▶ Reference: Bullet No. 4 - The Geological Survey did not conduct condition assessments to identify its deferred maintenance needs - The Geological Survey believes it would not be prudent to pursue condition assessments prior to Departmental guidance.

Relaying on Deferred Maintenance Information for Budgetary Decisions (Page 10)

- ▶ Reference: Bullet No. 5 - "A \$175,000 Park Service project to restore drainage was listed for which no condition assessment had been performed and no cost estimate prepared.

- 2 -

According to a Park Service official, this project was not a valid deferred maintenance need.” In talking with the Park Service, the second sentence should say instead, “According to a Park Service official, this project is not an immediate necessity.”

- ▶ Reference: Bullet No. 6 - “The Bureau of Land Management official described a \$60,000 project and a \$100,000 project as needed but not the highest priorities.” According to the BLM State Engineer in California, the meaning is that funds would be used for other management priorities first.

Appendix 6 - Locations Visited

- ▶ Attachment C is a revised listing of the U.S. Geological Survey facilities visited or contacted.

[NOTE: ATTACHMENT C NOT INCLUDED BY OFFICE OF INSPECTOR GENERAL.]

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1	Management concurs; additional information needed.	Provide documentation on the guidance issued to the bureaus on the criteria for determining deferred maintenance needs, or provide the target date and the title of the official responsible for issuing the guidance.
2	Management concurs; additional information needed.	Provide documentation on the policy that requires bureaus to prepare and maintain documentation to support condition assessments and deferred maintenance cost estimates, or provide the target date and the title of the official responsible for issuing the policy.
3	Management concurs; additional information needed.	Provide information on the actions planned to ensure that bureaus establish adequate management and system controls over deferred maintenance data, the title of the official responsible for establishing control requirements, and the target date for issuing guidance on data controls.