



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

OFFSHORE OIL AND GAS PERMITTING

U.S. DEPARTMENT OF THE INTERIOR



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

SEP 30 2014

Memorandum

To: Brian Salerno
Director, Bureau of Safety and Environmental Enforcement

From: Mary L. Kendall *[Signature]*
Deputy Inspector General

Subject: Evaluation Report – Offshore Oil and Gas Permitting, U.S. Department of the Interior
Report No. CR-EV-BSEE-0006-2013

This memorandum transmits the findings of our evaluation of the U.S. Department of the Interior's (DOI) offshore oil and gas permitting program managed by the Bureau of Safety and Environmental Enforcement (BSEE). This program annually returns more than \$5 billion in royalties to the Federal Government, and its efficient management plays a critical role in safeguarding this Nation's natural resources while returning significant monies to the Federal Treasury. We studied the program's effectiveness and efficiency in reviewing and approving Outer Continental Shelf oil and gas drilling permits.

We found that BSEE conducts drilling permit activities with limited oversight from its headquarters office in Washington, DC. This creates policy differences and inconsistencies among regions, as each region develops its own policies without headquarters review or, conversely, develops its own procedures in the absence of preexisting headquarters policies. We found that BSEE—

- approves permitting actions without current or updated policies or detailed standard operating procedures that could ensure consistency and standardization among regions and district offices;
- has not effectively or efficiently managed a recent policy that required technical training for its engineers, and thus did not ensure that all employees were aware of the new requirement; and
- has not implemented its electronic permit systems, which was created to reduce manual permitting functions, throughout all regions.

We made nine recommendations to enhance management of the offshore oil and gas permitting program. Our intent is that these recommendations will help BSEE standardize policies and procedures among its regions; improve communication concerning newly created policies; and implement its electronic permit system across all regions to increase transparency and efficiency.

Based on your September 15, 2014 response to our draft report, we removed the recommendation that BSEE needs to actively manage the engineer training program. We agree with BSEE that tracking this recommendation would be difficult and in concurring with and implementing recommendations 7 and 8 BSEE will address the intent of our recommendation.

We consider recommendations 2, 3, 4, and 6 resolved but not implemented, and recommendations 5, 8, and 9 resolved but not fully implemented. We will refer these recommendations to the Office of Policy, Management and Budget to track implementation. We consider recommendation 7 resolved and implemented. No further action is required for this recommendation.

We consider recommendation 1 unresolved and not implemented. BSEE concurred with this recommendation but requested that the Office of Inspector General revise it so as to recognize that the Office of Offshore Regulatory Programs is not solely responsible for creating policy and procedures but rather ensures consistency across BSEE. BSEE responded that since technical expertise largely resides in BSEE's regions and districts, policies and procedures are often created outside of the Office of Offshore Regulatory Programs. We concur with BSEE that the role of the Office of Offshore Regulatory Programs is to ensure consistency and standardization throughout BSEE; however, we believe that this office needs to be the sole entity that updates, creates, and maintains policies and procedures to ensure consistency across BSEE, rather than fragmenting this process by allowing policies and procedures to be created elsewhere. Draft policies and procedures created by the districts or regions should be submitted to Office of Offshore Regulatory Programs for formalization, implementation and dissemination. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and to track its implementation.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, evaluation, and inspection reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

We appreciate the cooperation and assistance of the BSEE staff during the course of our evaluation. A response to this report is not required. If you have any questions regarding this document, please do not hesitate to contact me at 202-208-5745.

Table of Contents

Results in Brief	1
Introduction.....	3
Objective	3
Background	3
Findings.....	5
Policies and Procedures.....	5
Permit Reviews	7
After-Hours Documentation.....	9
Departure and Alternate Compliance Documentation	9
Training	12
eWell Implementation	13
Conclusion and Recommendations.....	15
Conclusion.....	15
Recommendations	15
Appendix 1: Scope and Methodology.....	20
Scope	20
Methodology	20
Appendix 2: 2010 Recommendations	22
Appendix 3: BSEE Response	23
Appendix 4: Status of Recommendations.....	27

Results in Brief

Extensive analysis following the explosion of the Deepwater Horizon oil rig in 2010 provided the Federal Government, States, and private businesses a critical opportunity to significantly change policies and processes to promote safe and effective drilling in the waters of the Outer Continental Shelf (OCS). As one of the Federal entities involved in this review, the U.S. Department of the Interior (DOI) Office of Inspector General made 64 recommendations to strengthen the Department's overall management, regulation, and oversight of OCS operations. Our evaluation focuses on the seven recommendations intended to improve the offshore oil and gas permitting process. These recommendations, detailed in our fiscal year 2010 evaluation of the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE; CR-EV-MMS-0015-2010, "A New Horizon - Looking to the Future of the Bureau of Ocean Energy Management, Regulation, and Enforcement"), were intended to help safeguard human life, health, and the environment potentially impacted by offshore drilling for oil and gas.

Following Federal reorganization of the Minerals Management Service,¹ which approved the Deepwater Horizon drilling permit, the Bureau of Safety and Environmental Enforcement (BSEE) commenced operations in 2011 as a separate bureau. During the past 4 years, four of the seven recommendations we made have been closed by DOI's Office of Policy, Management and Budget. The remaining three recommendations, which are critical to BSEE's efficient management of offshore oil and gas permits, are still outstanding.

BSEE has attempted to address these recommendations through the creation of a permit team. The first team disbanded after not accomplishing its mission, however, and the second is still unable to accomplish the requirements of its charter. Although BSEE has made progress in the areas of staffing, permitting checklist development, and increased collaboration among staff, the most critical changes still need implementation.

BSEE conducts drilling permit review and approval activities without necessary oversight and clear direction from its headquarters office, which leaves the regional and district offices to review and approve permits without consistent guidance. This is especially important because such permits are being approved at the district levels without the proper delegation of authority. BSEE also approves oil and gas permits for drilling without having the necessary policies and procedures in place to guide and document its decisions. Furthermore, the

¹Reorganization of the Minerals Management Service in June 2010, following the explosion of the Deepwater Horizon in the Gulf of Mexico, created the Bureau of Ocean Energy Management, Regulation, and Enforcement (June 21, 2010, to September 30, 2011). The Bureau was separated into three new management structures: the Bureau of Ocean Energy Management (BOEM), the Office of Natural Resources Revenue (ONRR) and the Bureau of Safety and Environmental Enforcement (BSEE) to improve management, oversight, and accountability. BSEE began operations on October 1, 2011.

permitting employees we interviewed stressed the agency's need for current policies and procedures.

In addition to the three recommendations from 2010, we found that BSEE does not effectively implement its engineer training program. It also has not fully rolled out eWell, an online database developed and used only in BSEE's Gulf of Mexico Region. The database allows industry to submit permits electronically for approval, but this tool is not available to all BSEE regions.

In this report, we make 9 recommendations that specify actions to help BSEE manage its permitting activities more effectively.

Introduction

Objective

The objective of this evaluation is to assess the Bureau of Safety and Environmental Enforcement's (BSEE) effectiveness and efficiency in reviewing and approving oil and gas permits on the Outer Continental Shelf (OCS), as well as to follow up on the seven permitting recommendations from our 2010 OCS report. The scope and methodology of our review is included as Appendix 1 and the 2010 recommendations as Appendix 2.

Background

The U.S. Department of the Interior (DOI) offshore oil and gas program is a major source of revenue for the Federal government. The program has averaged \$5.870 billion in annual royalties since fiscal year (FY) 2011.

In calendar year 2012, OCS leases located in the waters off California, Alaska, and the Gulf of Mexico provided approximately 483 million barrels of oil and 1.585 billion cubic feet of natural gas, accounting for almost 20 percent of the Nation's oil production and over 6 percent of domestic natural gas production.

The OCS Lands Act, 43 U.S.C. §§ 1331 – 1356a, provides the Secretary of the Interior the authority to lease and regulate natural resources on the OCS. (See 43 U.S.C. § 1334(a).)² On May 19, 2010, Secretarial Order 3299 established the reorganization of the Mineral Management Service, the regulatory agency that was then responsible for oversight of OCS activities. Pursuant to 119 Departmental Manual 1, BSEE is responsible for issuing and monitoring OCS oil and gas permits.

On October 1, 2011, BSEE commenced operations as a separate bureau. BSEE regulates OCS oil and gas exploration, development, and production operations pursuant to 30 C.F.R. part 250. Responsible for promoting safety, protecting the environment, and conserving offshore resources through regulatory oversight and enforcement, it is tasked with developing standards and regulations to accomplish its responsibilities efficiently. It also is responsible for carrying out our seven 2010 recommendations, of which three are still outstanding.

In 2013, BSEE received funds to complete its reorganization goals and sustain important changes made in FYs 2011 and 2012. These included essential reforms in the management and oversight of offshore drilling:

- implementation of a new inspection strategy and new requirements related to the approval of drilling permits;
- expanded capabilities and resources for reviewing and processing drilling,

² See Footnote 1.

- production, and decommissioning permits; and
- establishment of critical personnel needed to develop, manage, and ensure that National Environmental Policy Act (NEPA) process requirements are met in BSEE's three OCS regions so that these regions can responsibly issue permits to conduct various offshore activities.

To manage the three OCS regions, BSEE has the following regional offices:

- the Gulf of Mexico Region (GOMR);
- the Pacific Outer Continental Shelf Region (POCSR); and
- Alaska.

The Gulf of Mexico waters off the United States provide the most active drilling sites. GOMR has five district offices organized under it to manage drilling permits and applications, as well as other operational requests, to help OCS oil and gas operators comply with all requirements.

An application for a permit to drill (APD) begins the process. When the permit to drill is approved by GOMR or either of the other two regions, an operator has approval to begin the process of drilling a well. Before the permit can be granted, however, many direct and related approvals, including NEPA compliance, must be in place. After the April 2010 Deepwater Horizon explosion, GOMR's permit approvals declined in 2010 and in 2011 when compared to 2009. Since 2012 the number of permit approvals has increased above the 2009 level and GOMR has also taken measures to improve decision making. It has also added more staff to review permits and created opportunities for greater in-depth analysis of those permits through the establishment of new checklists.

Findings

BSEE plays a critical role in permit processes that should allow for the safe and efficient development of the Nation's offshore oil and gas resources while safeguarding natural resources held in the public trust.

We found that BSEE conducts drilling permit activities with limited oversight from its headquarters office in Washington, DC. This creates policy inconsistencies among regions as each region develops its own policies without headquarters review or develops its own procedures in the absence of preexisting headquarters policies. We found that BSEE—

- has approved permitting actions without current or updated policies or detailed standard operating procedures (SOPs) that could ensure consistency and standardization among regions and district offices;
- has approved permits in GOMR without properly delegating authority;
- has not effectively or efficiently managed a recent policy that required technical training for its engineers, and thus did not ensure that all employees were aware of the new requirement; and
- has not implemented its electronic permit system, eWell, which was created to reduce manual permitting functions, throughout all regions.

Policies and Procedures

Policies provide a platform for standardization, consistency, and operational efficiency throughout an organization. Procedures offer more details than policies and thus provide a step-by-step guide for employees. Both policies and procedures are necessary tools for BSEE engineers who approve permits. Together, policies and procedures provide all BSEE employees involved in the permit approval process with a roadmap for decision making. They ensure that all engineers consistently review permit applications, document the decision process, and approve permits.

Recommendation 3 from our 2010 OCS report was for BSEE³ to develop a comprehensive, current handbook to compile and standardize permitting policies and procedures, thereby enabling employees to carry out their responsibilities consistently. BSEE responded by creating a team to review and improve its drilling permit review and approval process.

When we reviewed BSEE's actions toward implementing recommendation 3, however, we found that the initial permitting team had not developed the policies and procedures we had recommended. When the team could not finalize its work plan, it disbanded, and a second team formed to follow up on our

³ For the sake of consistency, we will refer to the bureau as BSEE throughout this report.

recommendation. This new team developed a charter and strategic plan with tasks and key milestones to be completed between FYs 2013 and 2014.

We interviewed members of this team, who stated that they are expected to dedicate 25 percent of their time to team functions. The team has yet to meet regularly, however, or achieve this time requirement. In addition, the team has initiated but has not completely developed or implemented a formal process to update its policies and procedures.

When interviewed, BSEE headquarters admitted that its permitting team would not meet its revised deadlines. This task remains unmet because BSEE does not have a library of current, accurate, and complete SOPs. A team member stated that just identifying all SOPs would be a huge accomplishment for BSEE.

Since a formal, integrated process to update policies and procedures remains incomplete, BSEE regional and district engineers continue to review, document, and approve permits without the guidance of current, accurate, or complete Bureauwide policies and procedures on which they can base their decisions. For example, since June 2011, GOMR has implemented 16 new permit reviews and incorporated these new reviews into its eWell system. In addition, BSEE has issued six Notices to Lessee, a process requiring the operator or lessee to provide additional documentation with the permit application in order for BSEE engineers to perform these additional reviews. Although we requested updated information that addressed these newly developed reviews and requirements, BSEE could not provide any updated internal policies or procedures.

We also learned, during our review, that the Field Operations Guideline Online Tracking System (FOPOTS), an electronic documents file that allows permitting employees to comment on new guidelines, is being replaced by another system, referred to as the Guidance and Policy System (GAPS). Interviewees told us that FOPOTS is no longer used by BSEE staff due to its inefficiency. Instituting GAPS became BSEE's proposed solution to its problems with FOPOTS, but few employees knew of GAPS because it was never implemented; now GAPS also is in the process of being replaced.

BSEE notified us in January 2014 that it had developed yet another database, titled the Catalog and Review System (CARS), which it intended to function as a central repository for guidance and procedural documents. BSEE also plans to implement another system, referred to as the Data Tracking System (DTS), to compile, create, and update policies and procedures before adding them to CARS. BSEE planned to go live with CARS on May 1, 2014, but has yet to do so; this database is still in the test phase, a situation that has created issues with the following permitting activities:

- permit reviews;
- after-hours tracking, reconciling, and documentation; and

- departure and alternate compliance approval and documentation.

Permit Reviews

Although BSEE has created checklists and reviews to improve the permit review process, it has not developed a policy that requires employees to use them, nor has it developed procedures to implement them. Without these policies and procedures in place, BSEE cannot promote standardization and consistency in the review process. During its review in February 2013, the ePermits team noted that the evaluation of most permits was not well documented. Further, GOMR senior engineers (GS-13s) and section chiefs approve permits without having proper delegation of authority. According to 30 C.F.R. § 250.40, written approval from the district manager must be obtained before drilling a well.

We found that when a permit is generated not all employees in the approval chain create the appropriate checklist or review, which accompanies an approved permit to show that all necessary evaluative steps have been documented and completed. When we examined permits in GOMR's eWell system, for example, we found that reviews had not always been completed or documented. The APD completeness checks review and the district drilling engineering review, two checklists used to document an engineer's permit review, were not generated for every permit that had been approved. Even those generated to accompany the approved permit had not always been completed (see Figure 2).

Review Status	APD Completeness Checks Review	District Drilling Engineering Review
Generated and completed	7	7
Generated and partially completed	6	8
Generated and not completed	7	9
Not generated	6	2
Total Reviewed	26	26

Figure 2. Results of sampled permits, showing less than one third with completed checklists.

The sample consisted of permits that were approved after the APD completeness checks review and the district drilling engineer's review had been incorporated in the eWell system as of June 2011. For the 26 new well permits we reviewed, both of these reviews were completed only 7 times. Some GOMR engineers told us that they completed their checklists outside the eWell system and saved them either on their shared network drive or in the Technical Information Management System (TIMS) database, a computerized information system that automates many of the business and regulatory functions supporting BSEE and the Bureau of Ocean Energy Management (BOEM). Further, we found that the eWell system

does not have controls, referred to as business rules in that system, requiring all applicable checklists to be completed before a permit is approved.

Since only GOMR employees have access to eWell, employees in other regions create workarounds to help them accomplish their reviews. Alaska engineers stated that they use a Microsoft Excel version of the district drilling engineering review checklist. They do not, however, include this checklist as part of the approved permit file. They stated that once the permit is approved, the checklist is destroyed or kept on their work computers.

GOMR managed the district drilling engineering review checklist prior to its implementation into eWell in June 2011. POCSR engineers stated that they did not receive the district drilling engineering review checklist until just before we visited that region in December 2013. POCSR also uses an Excel version of the checklist and requires its engineers to attach the completed checklist to the APD for approval. Once the permit is approved, the checklist is included in the approved permit file. Our sample of eight approved new well permits included two permits approved after POCSR received the checklist. We found the checklist attached to both permits.

Alaska and POCSR must manually enter their approved permit information into TIMS, whereas this data entry occurs electronically in GOMR because eWell is integrated with TIMS in that region. Neither Alaska nor POCSR use the APD completeness checks review, which is integrated into eWell.

Since permit reviews are not consistently documented either manually or electronically, we found it difficult to determine what an engineer had reviewed as part of the permit approval process. This perpetuates a program-wide absence of consistency and standardization. It also may leave the Government less capable of explaining why permits were issued or other actions taken.

We interviewed 31 senior engineers and upper management and found that 14 senior engineers and 5 section chiefs in GOMR approve permits without proper delegation of authority. Several GOMR managers stated that the delegation of authority was changed to allow senior engineers (GS-13s) to sign and approve permits. The interim revision dated February 9, 2011, that had been intended to change the delegation of authority in 30 C.F.R. part 250 was never finalized. Although these senior engineers and section chiefs have sufficient knowledge and experience to assume the duties and responsibilities associated with the district manager's position, they were never delegated approval authority.

After-Hours Documentation

A primary difference between an APD and an application for a permit to modify (APM) is that APD review and approval occurs before drilling operations begin, while an APM can be submitted throughout the lifecycle of the well when an operator may need to modify drilling operations. According to 30 C.F.R. § 250.465 (a)(1), an operator has to submit an APM or request oral approval if revising the company's drilling plan becomes necessary. In addition, an APM must be submitted no later than the end of the third business day after the oral approval is received.

The around-the-clock, shift-based production operations of the oil and gas industry create many situations requiring submission of APMs to BSEE staff long after their regular working hours have ended. In an effort to accommodate the industry's continuous operations, BSEE district offices require a qualified engineer who can approve permits to be available at all times to respond to industry requests.

District offices in GOMR maintain after-hours coverage by requiring engineers to be on call on a rotational basis. Most district offices handle such calls by rotating this responsibility among GS-13 senior engineers. BSEE has provided these engineers with cell phones for after-hours or weekend use so that they can respond to operators who are required to notify the district office of any proposed revision to an approved operation. POCSR's procedure for after-hours calls involves a 24-hour answering service that connects operators with an approving engineer.

We found, however, that BSEE inconsistently documents, tracks, and follows up on after-hours calls and after-hours approvals that lead to permit modifications. It does not have a standard form that staff can use to document these after-hours calls and approvals. It also does not have a policy or procedure to verify that after-hours approval has been given for permit modifications. Inconsistencies associated with after-hours approval documentation run the risk of creating situations where, for example, an operator is not compliant with the regulation that requires a permit for all offshore activity.

Departure and Alternate Compliance Documentation

A departure is defined by 30 C.F.R. § 250.105 as an approval granted by the appropriate BSEE or BOEM representative for operating procedures other than those already specified in the regulations. Approval for a departure allows an operator to conduct necessary procedures to control a well, properly develop a lease, conserve natural resources, or carry out related activities. Also, 30 C.F.R. § 250.414(h) requires operators to justify why they are requesting a departure from the regulations.

Policies and procedures assist in evaluating whether an approval was appropriate and ensure that engineers use criteria that encourage consistent decision making when they give approval for departures. When engineers are clear and consistent, this helps operators know what is acceptable and what is not. Policies and procedures promote standardization and consistency.

Our 2010 OCS report covered this issue in Recommendations 6 and 7, which proposed, respectively, that BSEE develop procedures for reviewing departure requests and for reevaluating routinely granted departures. BOEMRE's response, dated March 2011, acknowledged that its permitting team was developing procedures to improve the review of departure requests and that it would be evaluating "previously granted departures to ensure they can be justified according to the criteria for departures." As of May 2014, these recommendations still had not been resolved.

BSEE established a process for approving departures after the 2010 report. It created the district operations support (DOS) group, which is tasked with the review and approval of departures. DOS found in its review of previously approved departures that some of those approved in 2010 were not actually departures but what they termed "alternate compliance."

During our evaluation, we found that engineers could not agree on a consistent definition of departures or alternate compliance. Some explained that BSEE was moving away from using the term "departures" and replacing it with "alternate compliance." Some engineers stated the terms to be the same, while others defined each term differently. One commented that "alternate compliance" is more "politically correct." The inconsistent definitions offered by the engineers further demonstrates the need for standardization with the use of current, accurate, and complete policies and procedures.

On April 4, 2012, GOMR issued policy decisions identifying certain approved departures, but this policy did not include reviewing and approving all other departures or alternate compliances. Alaska also issued its own policy on departures on April 16, 2013. We found that GOMR and Alaska policy decisions were issued from the regions as opposed to BSEE's headquarters Office of Offshore Regulatory Programs, which manages rules, standards, and compliance programs governing OCS oil, gas, and mineral operations, as well as regulations and associated policy documents.

The eWell system has the potential to provide consistent review, approval, and tracking of departures. Currently, eWell contains common departures that BSEE has granted; however, it does not include all departures. Also, it is not consistently used and does not clarify the differences between a departure and an alternate compliance. In addition, we found that some engineers use the eWell departure function while others use the permit's conditions of approval section, which lays out the requirements that must be met if the permit is to be approved. This

inconsistent approach makes it almost impossible to track departure approvals given outside of eWell. We could not evaluate use of the departure tracking mechanism in eWell for Alaska and POCSR because they do not have access to the eWell system.

In its response to our Notice of Potential Findings and Recommendations (NPFR), BSEE management said that it recognized the need to develop and maintain formal, up-to-date policies and procedures. BSEE also said that it has developed SOPs, has issued many policies and guidelines, and strives to promote standardization, consistency, and operational efficiency. BSEE recognized, however, that it does not have a fully structured and formalized process. It plans to develop additional SOPs during its next review cycle, although it did not identify when that cycle would occur.

Recommendations

We recommend that BSEE:

1. Update, create, and maintain offshore permitting policies and procedures within the Office of Offshore Regulatory Programs to assist engineers in carrying out their responsibilities for permit reviews. At a minimum, these policies and procedures should address—
 - required permit reviews, such as the APD completeness checks review and the district drilling engineering review;
 - documentation for permit reviews (how they are to be completed and maintained);
 - after-hours calls documentation and reconciliation; and
 - review, approval, and tracking of both departures and alternate compliances.
2. Create a business rule in eWell that will not allow a permit to be approved without the required reviews being completed.
3. Implement the proper delegation of authority for senior engineers (GS-13s) and section chiefs to approve permits in accordance with 30 C.F.R. part 250.
4. Develop a strategy so that CARS includes all offshore permitting policies and procedures.
5. Train BSEE employees to use CARS and DTS to ensure permitting policies and procedures are communicated to the employees using them.

Recommendation

We recommend that BSEE:

6. Implement a quality assurance process for permitting activities to ensure consistency throughout BSEE.

Training

On January 7, 2013, BSEE issued Interim Policy Document (IPD) 2013-03, titled “Training Requirements for Engineers.” The policy, which became effective on March 8, 2013, requires all engineers to complete at least 32 hours of approved technical training annually. It also requires newly hired engineers with less than 3 years of oil and gas engineering experience to complete BSEE’s engineering boot camp or an equivalent program.

Our interviews of well operations engineers disclosed that the IPD training requirements have not been effectively communicated. We were told that external technical training had to be approved by the training branch coordinator in order for it to apply to the 32-hour requirement. We found that not all engineers, including section chiefs, knew about the IPD training requirements for engineers. This increases the likelihood that engineers will fail to meet IPD requirements.

We reviewed training records, including transcripts from DOI Learn, a database that tracks training for DOI bureaus, and individual training certificates. We found that—

- not all training was captured in DOI Learn;
- no training hours were captured in DOI Learn; and
- not all certificates that we received included training hours.

BSEE also did not provide an SOP explaining how to implement the IPD. We were told that training hours were updated in several locations, such as weekly training lists, a BSEE-maintained spreadsheet, and DOI Learn rosters. This ad hoc approach to tracking training hours made it difficult to determine who met the training requirements. We received lists showing which BSEE engineers did not meet the training requirements. We noted, however, that some engineers on that list had provided us with documentation supporting their technical training.

In response to our NPFR, BSEE stated that once IPD 2013-03 had been approved, it went out to headquarters and program offices, notifying engineers that they needed to fulfill its requirements. BSEE also posted the IPD to its Intranet site, both for reference and to download.

BSEE also stated in its response that it suspects that the IPD may have been ineffectively communicated in some parts of the Bureau. After we inquired about training requirements, BSEE initiated a mandatory “Online Training Awareness” program that all engineers must take within 30 days from the date the awareness training became available. The course will be part of the DOI Learn curriculum, and engineers will be asked to answer questions related to technical training requirements as well as the Learning Management System, which is DOI Learn’s web-based reporting and tracking application.

Following BSEE’s response to OIG’s draft report, OIG removed its recommendation that BSEE needs to actively manage the engineer training program. We agree with BSEE that tracking this recommendation would be difficult, and we believe that in concurring with and implementing recommendations 7 and 8 BSEE will address the intent of our recommendation.

Recommendations

We recommend that BSEE:

7. Document that all permitting employees are aware of all IPD requirements; and
8. Monitor and track all training to ensure that training requirements, including training hours, are met and that all training is recorded.

eWell Implementation

In 2004, GOMR began using eWell, an electronic system developed in that region, to complete its permit reviews. This system, which has been implemented only in GOMR, allows companies to securely submit their oil and gas permit applications and reports online. BSEE publicized that the system has many benefits for both the Government and industry, including—

- reducing time needed to permit well operations;
- reducing data reporting redundancy;
- providing for easier reporting and retrieval of well data;
- providing for better quality data with data validation and business rules;
- providing for improved communication with BSEE; and
- allowing operators to view the status of a permit, thus improving transparency.

Although the benefits of the database suggest that BSEE headquarters would be interested in standardizing the use of eWell throughout its regions, at the time of our evaluation, Alaska and POCSR did not have access to the eWell system.

We found that GOMR is developing ePermits, which is an update to its existing eWell system. We question how BSEE can support GOMR in rolling out a new system without ever having fully implemented the current eWell system in all regions.

Recommendation
<p>We recommend that BSEE:</p> <ol style="list-style-type: none">9. Implement eWell, as well as the updated system, ePermits, throughout its regions.

Conclusion and Recommendations

Conclusion

BSEE's oversight of OCS oil and gas production is critical to the safe, efficient extraction of these important natural resources. BSEE has put permitting steps in place that help oil and gas operators meet their deadlines and has implemented most of the recommendations in our 2010 OCS report to continue to improve the permitting process. We found, however, that BSEE has not completed many of the significant internal steps that would give its employees the tools to perform their jobs more consistently and effectively.

Because BSEE headquarters does not provide clear direction and standards for regions and district offices by establishing consistent policies and procedures, employees either develop their own or work without any Bureauwide guidance. Similarly, without oversight and tracking from headquarters, current training policies are not always understood or applied. In addition, the absence of oversight or direction from BSEE at the headquarters level leads each region to operate in isolation, without the benefits of a shared permit review technology.

BSEE has made progress in the short years of its existence. Now it needs to integrate its achievements throughout its organization so that all employees have the tools to efficiently and consistently conduct the important work BSEE was created to do.

Recommendations

We recommend that BSEE:

1. Update, create, and maintain offshore permitting policies and procedures within the Office of Offshore Regulatory Programs to assist engineers in carrying out their responsibilities for permit reviews. At a minimum, these policies and procedures should address—
 - required permit reviews, such as the APD completeness checks review and the district drilling engineering review;
 - documentation for permit reviews (how they are to be completed and maintained);
 - after-hours calls documentation and reconciliation; and
 - review, approval, and tracking of both departures and alternate compliances.

BSEE Response: BSEE concurred with this recommendation but requested that OIG revise it so as to recognize that the Office of Offshore Regulatory Programs is not solely responsible for creating policy and procedures but rather ensures consistency across the Bureau. BSEE responded that since technical expertise largely resides in BSEE's regions

and districts, policies and procedures are often created outside of the Office of Offshore Regulatory Programs. In addition, BSEE cited planned actions pertinent to this recommendation and indicated that it is updating permitting policies and procedures in conjunction with efforts to close two OIG New Horizon report recommendations.

Office of Inspector General's (OIG) Reply: We consider this recommendation unresolved and not implemented. OIG concurs with BSEE that the role of the Office of Offshore Regulatory Programs is to ensure consistency and standardization throughout the Bureau. OIG continues to note that this office needs to be the sole entity that updates, creates, and maintains policies and procedures to ensure consistency across BSEE, rather than fragmenting this process by allowing policies and procedures to be created elsewhere. Draft policies and procedures created by the districts should be submitted to Office of Offshore Regulatory Programs for formalization, implementation and dissemination. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and to track its implementation.

2. Create a business rule in eWell that will not allow a permit to be approved without the required reviews being completed.

BSEE Response: BSEE will update a business rule in eWell that will not allow a permit to be approved without the required reviews being completed.

OIG Reply: Based on BSEE's response, OIG considers this recommendation resolved but not implemented. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

3. Implement the proper delegation of authority for senior engineers (GS-13s) and section chiefs to approve permits in accordance with 30 C.F.R. part 250.

BSEE Response: BSEE regions have prepared delegations of authority for BSEE headquarters review and approval. Following this approval, BSEE's Human Resources Office will verify that the delegations of authority are included in the position descriptions of affected employees.

OIG Reply: Based on BSEE's response, OIG considers this recommendation resolved but not implemented. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

4. Develop a strategy so that CARS includes all offshore permitting policies and procedures.

BSEE Response: BSEE concurs with this recommendation, but indicates that, given the impending conclusion of fiscal year 2014, as well as the recent approval of a 1-year extension for New Horizon recommendation 3, BSEE requests the target date for this recommendation be changed to fiscal year 2015. BSEE notes that it is changing its current approach to reviewing and updating policies to one that is more robust and comprehensive. While CARS will be used to support permit reviews in day-to-day operations, solutions for long-term storage of all BSEE records are still being developed.

OIG Reply: Based on BSEE's response, OIG amended the recommendation and considers this recommendation resolved but not implemented. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

5. Train BSEE employees to use CARS and DTS to ensure permitting policies and procedures are communicated to the employees using them.

BSEE Response: Significant DTS training has been provided to headquarters, regional, and district offices. During FY2014, the Office of Policy and Analysis conducted 30 DTS training classes for BSEE staff and worked with DOI to establish an introductory DTS course in DOI Learn. Regarding CARS, the in-house developer has provided hands-on training to BSEE staff involved in the permitting process. CARS training has been supplemented, with a CARS user guide disseminated to staff. Web-based training is scheduled for fiscal year 2015.

OIG Reply: OIG commends BSEE for their timely implementation of DTS training and the publication of the CARS user guide. Based on BSEE's response, OIG considers this recommendation resolved but not fully implemented. The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

6. Implement a quality assurance process for permitting activities to ensure consistency throughout BSEE.

BSEE Response: BSEE concurs with this recommendation. BSEE will conduct an internal performance evaluation to assess the quality and effectiveness of the permitting program and to ensure Bureauwide consistency. The internal performance evaluation will review permitting activities throughout the regions and districts, conduct a gap analysis, make recommendations to address deficiencies and findings, require corrective action plans (CAPs), assign responsible officials for

implementing CAPs, and include a follow-up process with assigned officials to ensure key actions and target dates are met. This will also include a planned Enterprise Risk Management system.

OIG Reply: Based on BSEE's response, OIG considers this recommendation resolved but not implemented. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

7. Document that all permitting employees are aware of all IPD requirements.

BSEE Response: BSEE believes this recommendation has been implemented. In April 2014, BSEE finalized a mandatory online training awareness module, which is required training for all BSEE engineers when they report for duty. The course is part of the DOI Learn curriculum; engineers are required to answer questions related to technical training requirements and the learning management system, which is the web-based reporting and tracking application for DOI Learn. Upon completion, the course is recorded in each engineer's transcript for tracking purposes.

OIG Reply: OIG commends BSEE for its timely implementation of this recommendation. Based on BSEE's response, OIG considers this recommendation resolved and implemented. No further action is needed.

8. Monitor and track all training to ensure that training requirements, including training hours, are met and that all training is recorded.

BSEE Response: BSEE is mandating that all technical training be approved through use of DOI Learn's standard training form. By August 29, 2014, more than 94 percent of BSEE engineers had completed their fiscal year 2014 training requirements. By January 1, 2015, BSEE will ensure that all technical courses offered in FY15 will have the training hours listed on the engineer's transcript, as well as the class completion certificate.

OIG Reply: Based on BSEE's response, OIG considers this recommendation resolved but not fully implemented. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

9. Implement eWell, as well as the updated system, ePermits, throughout its regions.

BSEE Response: The eWell application was expanded for use in POCSR in April 2014. To date, POCSR has successfully processed 8 APMs from

ExxonMobil in eWell and is working with GOMR subject matter experts to process APDs. BSEE indicates that the Alaska Region will implement eWell when production operations warrant it.

OIG Reply: Based on BSEE's response, OIG considers this recommendation resolved but not fully implemented. This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget to track its implementation.

Appendix I: Scope and Methodology

Scope

Our evaluation focused on the Bureau of Safety and Environmental Enforcement's (BSEE) review and approval of oil and gas permits on the Outer Continental Shelf (OCS), as well as following up on the seven permitting recommendations we made in our fiscal year (FY) 2010 evaluation of Bureau of Ocean Energy Management, Regulation and Enforcement (Report No. CR-EV-MMS-0015-2010).

We conducted this evaluation in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of Inspectors General on Integrity and Efficiency. We believe that the work we performed provides a reasonable basis for our conclusions and recommendations.

Methodology

We performed this evaluation from June 2013 to April 2014. We conducted 101 interviews and met with personnel from 28 different offices. We observed the day-to-day activities of 33 personnel from 7 different office locations. We also reviewed more than 100 permit files, as well as training records for 38 engineers.

In addition, we reviewed laws, regulations, available policies, and procedures related to the applications for permits to drill (APD) process; interviewed departmental and bureau officials having oil and gas program and APD process responsibilities; and observed the permitting process.

We also followed up on the seven permitting recommendations in the FY 2010 evaluation.

We reviewed computer-generated data for approved permits in the Gulf of Mexico and hard copy data from the Pacific and Alaska regions. We also reviewed computer-generated and hard-copy training records of all engineers associated with the permitting process.

We conducted extensive fieldwork in and/or interviewed employees from the following BOEM offices:

- Leasing and Plans, New Orleans, LA;
- Office of Environment, New Orleans, LA;
- Office of Regional Director, New Orleans, LA;
- Office of Strategic Resources, New Orleans, LA; and
- Operations Review Unit, New Orleans, LA.

We also conducted fieldwork in and/or interviewed employees from these BSEE offices:

- Alaska Regional Field Operations, Anchorage, AK;
- Environmental Enforcement Division, Washington, DC;
- Gulf of Mexico Region (GOMR) District Field Operations, New Orleans, LA;
- GOMR Houma District Office, Houma, LA;
- GOMR Lafayette District Office, Lafayette, LA;
- GOMR Lake Charles District Office, Lake Charles, LA;
- GOMR Lake Jackson District Office, Lake Jackson, TX;
- GOMR New Orleans District Office, New Orleans, LA;
- GOMR Production and Development, New Orleans, LA;
- GOMR Regional Field Operations, New Orleans, LA;
- Human Resources, Herndon, VA;
- Office of Information Technology Services, New Orleans, LA;
- Office of Offshore Regulatory Programs, Regulations, and Standards, Herndon, VA;
- Office of Policy and Analysis;
- Office of Regional Director, New Orleans, LA;
- Office of Regional Environmental Enforcement, New Orleans, LA;
- Office of the Deputy Director, Washington, DC;
- Offshore Training Program, Herndon, VA;
- Pacific Inspection Unit, Camarillo, CA;
- Pacific OCS Regional Office, Camarillo, CA;
- Pacific Production and Development, Camarillo, CA;
- Pacific Regional Field Operations, Camarillo, CA; and
- Oil Spill Response Division, New Orleans, LA.

Appendix 2: 2010 Recommendations

In 2010, we made the following recommendations:

1. Review permit staffing needs in the Gulf of Mexico district and regional offices to ensure that staffing levels and breadth of expertise are commensurate with increasing workloads.
2. Develop a succession plan for BOEMRE staff in all regions.
3. Develop a comprehensive and current handbook to compile and standardize policies and practices designed to assist permit reviewers in carrying out their responsibilities.
4. Review and revise the permit review protocols to ensure that (a) permit requests from operators and district responses are documented promptly and properly; (b) BOEMRE engineers have appropriate access to permit databases after hours; and (c) procedures are established that prevent “engineer shopping” by operators.
5. Reexamine after-hours permit review services, the means by which any such services should be provided (e.g., on-call, permanent staff), and the feasibility of limiting its use by requiring operators to submit nonemergency requests and requests that could be reasonably anticipated during normal business hours.
6. Develop procedures for reviewing departure requests that would standardize the process and ensure operators justify the requests based on concerns for well control; properly developing a lease; conserving natural resources; or protecting life, property, or the marine, coastal, or human environment.
7. Reevaluate departures previously or routinely granted to ensure that they can be justified according to the criteria for departures.

BSEE extended the implementation target dates for Recommendations 3 and 6 from December 31, 2011 to December 31, 2013. It also extended the implementation target date for Recommendation 7 from June 30, 2012 to December 31, 2013. Recommendations 3, 6, and 7 have yet to be fully implemented.

Appendix 3: BSEE Response

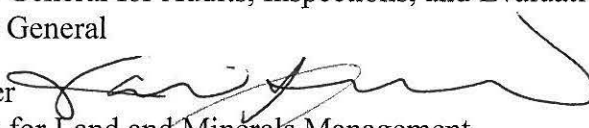
BSEE's memorandum responding to our draft report follows on page 24. The Bureau's specific comments made in response to our recommendations are summarized in the conclusion and recommendations summary section of our report, beginning on page 15. Therefore, the attachments to BSEE's response are not included in this report.

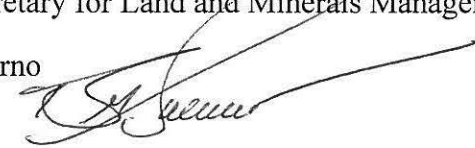


United States Department of the Interior
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT
WASHINGTON, DC 20240-0001

SEP 15 2014

To: Kimberly Elmore
Assistant Inspector General for Audits, Inspections, and Evaluation
Office of Inspector General

Through: Janice M. Schneider 
Assistant Secretary for Land and Minerals Management

From: Brian M. Salerno 
Director

Subject: Response to Draft Evaluation Report – Offshore Oil and Gas Permitting Report
No. CR-EV-BSEE-0006-2013

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) evaluation of the Department of the Interior's (Interior) offshore oil and gas permitting program managed by the Bureau of Safety and Environmental Enforcement (BSEE). BSEE generally agrees with the spirit and intent of the recommendations in the report and the general finding that further opportunities exist to improve BSEE's efficiency and effectiveness and ensure consistency across all organizational units. However, we believe there are a number of issues that need to be corrected in the report in order to provide a more complete overview of BSEE's permitting activities and to offer recommendations that align with the findings to effectively address the issues identified.

The draft report does not discuss many of the actions taken by BSEE or recognize the progress made by BSEE employees to improve operations and address previous audit recommendations. These actions were largely guided by BSEE's Strategic Plan for FY2012-FY2015, which outlined key strategies and actions that will enable BSEE to become a more effective steward of America's offshore oil and gas resources.

Numerous oversight internal and external investigations were conducted regarding BSEE and predecessor agencies after the *Deepwater Horizon* tragedy. Additionally, the Government Accountability Office (GAO) identified challenges in Interior's management of oil and gas on leased Federal lands and waters; specifically, Interior (1) does not have reasonable assurance that it is collecting its share of revenue from oil and gas produced on Federal lands and (2) continues to experience problems in hiring, training and retaining sufficient staff to provide oversight and management of oil and gas operations on Federal lands and waters. As a result, the GAO concluded that management of Federal oil and gas resources is a high-risk area and added it to the High Risk List in 2011.

The numerous oversight investigations undertaken after the *Deepwater Horizon* tragedy resulted in 233 external recommendations by oversight organizations other than GAO and OIG from

fiscal year (FY) 2010 through 2014, of which, 162 have been implemented by BSEE. Examples of these oversight organizations are the National Oil Spill Commission and the National Academy of Engineering.

In addition to these external oversight recommendations, the OIG and GAO made 86 audit recommendations during the same time frame, 68 of which have been addressed and closed by BSEE and its predecessor agencies. While BSEE largely agreed with the external, OIG, and GAO recommendations, properly addressing all 319 recommendations within a 4 year period has been a significant challenge, particularly considering that a significant number of recommendations targeted district operations—which placed a substantial burden of development and implementation on the same small group of subject matter experts.

The challenge of addressing all 319 recommendations has been compounded by the reorganizations of the Minerals Management Service and the Bureau of Ocean Energy Management, Regulations and Enforcement that eventually led to BSEE, as well as a currently robust oil and gas industry (both offshore and onshore) that has driven up salaries offered by industry. As a result, the attrition rate for mission-critical inspectors and engineers in BSEE has increased significantly. Efforts to improve standardization and consistency across units — a common theme in many of the recommendations — have been further complicated by variability in the volume of current and planned operations, the maturity of operations, the type of technology used by operators, workforce conditions, and local political climate across all regions within BSEE.

The draft report portrays BSEE as a static agency that has made little to no progress despite considerable oversight. Since its formation in FY2012, BSEE has closed 42 OIG and GAO audit recommendations, meeting or exceeding Interior’s 85% closure goal for FY2012 and FY2013. BSEE plans to close additional audit recommendations by the end of FY2014 and will maintain this focus in the out years. Additionally, noted above, a significant number of external recommendations have been addressed by BSEE. BSEE plans to close many of the remaining recommendations within the context of implementing its 5-Year Strategic Plan.

Regarding permitting recommendations, the report noted that BSEE has closed four of the seven permitting recommendations from the FY2010 report, “A New Horizon Looking to the Future of the Bureau of Ocean Energy Management, Regulation and Enforcement.” BSEE has also made progress on the three remaining recommendations and plans to close recommendations 6 and 7 by the end of FY2014. An extension request was recently approved by Interior’s Office of Financial Management for recommendation 3. As explained in the Attachments, the extension was granted to allow BSEE to change its approach to reviewing and updating policies to one that is more comprehensive and robust.

As shown in Attachment 1, our review of the draft report indicates that some areas require additional information or need updated information in order to provide a complete and comprehensive assessment of the progress made to date in addressing various recommendations. In some places, the OIG draws conclusions, but does not cite the evidence or data underlying the findings. We also believe there are shortcomings in the OIG’s description of its methodology for obtaining and assessing evidence to support report conclusions and findings. Without fully being able to understand the basis upon which the OIG made its findings and developed its recommendations, BSEE’s efforts to continue to improve its program will be hampered.

Regarding the report's ten recommendations, as noted, we generally concur with the spirit and intent of the recommendations. In Attachment 2, we suggest changes to ensure that all recommendations are reasonably achievable and enhance the permitting program. Target dates and responsible officials for implementing the recommendations are also shown in Attachment 2.

BSEE would like to thank the OIG for the opportunity to review the draft report on offshore oil and gas permitting to ensure that the report is balanced and accurate, and that it contains recommendations that are both meaningful and achievable.

If you have any questions concerning this response, please contact Linh Luu, Audit Liaison Officer, at 202.208.4120.

Attachments

cc: Nancy Thomas, Office of Financial Management

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
I	Unresolved and not implemented	This recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.
2, 3, 4, and 6	Resolved but not implemented	These recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
5, 8, and 9	Resolved but not fully implemented	These recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.
7	Resolved and implemented	No further action is required.

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



By Internet: www.doi.gov/oig/index.cfm

By Phone: 24-Hour Toll Free: 800-424-5081
Washington Metro Area: 202-208-5300

By Fax: 703-487-5402

By Mail: U.S. Department of the Interior
Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW.
Washington, DC 20240