




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

September 12, 2014

Memorandum

To: Douglas Glenn  
Director, Office of Financial Management

Attention: Eric Eisenstein  
Division Chief, Internal Control and Audit Follow-up  
Office of Financial Management

From: Jeff Carlson   
Director, Energy Audits Unit  
Office of Inspector General

Subject: Verification Review of Recommendations for the Evaluation "Bureau of Land Management's Oil and Gas Lease Auction Process" (CR-EV-BLM-0002-2009)  
Report No. CR-VS-BLM-0042-2014

The Office of Inspector General (OIG) has completed a verification review of the five recommendations presented in the evaluation report "Bureau of Land Management's Oil and Gas Lease Auction Process" (CR-EV-BLM-0002-2009) issued August 26, 2009.

The objective of this verification review was to determine whether the recommendations were implemented by the Bureau of Land Management (BLM) as reported to the Office of Financial Management (PFM), Office of Policy, Management and Budget. Our review was prompted by a highly publicized incident in which an individual, who in an act of environmental protest, disrupted a BLM lease auction by bidding for parcels without the intent or ability to pay for or develop the leases.

PFM reported to us that each of the five recommendations in the report had been addressed. We concur that Recommendations 1, 2, 4, and 5 are resolved and implemented. We do not concur, however, that BLM resolved and implemented Recommendation 3.

**Recommendation 3:** If BLM does not implement the policy to make the entire bonus bid a debt to the U.S., BLM should increase the amount due on the day of sale from \$2 per acre to a specified percentage (e.g. 20 percent) of the bonus bid to be determined by BLM.

BLM did not implement the policy to make the entire bonus bid a debt to the U.S. Government nor did BLM increase the amount due on the day of sale from \$2 per acre to a specified percentage of the bonus bid to be determined by BLM. It was BLM's opinion that it was not necessary to promulgate a new regulation to implement Recommendation 3 of the OIG

report. Although the Solicitor determined that the incident was isolated and the fraudulent bidder was successfully prosecuted, we believe that BLM did not take the necessary steps to mitigate the risk of this type of incident reoccurring.

We request that PFM provide a written response to this report by October 14, 2014 indicating whether it reinstated Recommendation 3. If applicable, the response should provide PFM's reasons for not reinstating the recommendation. If you have any questions concerning this memorandum, please contact me at 303-236-9243.

cc: Neil Kornze, Director, Bureau of Land Management  
LaVanna Stevenson, Audit Liaison Officer, Bureau of Land Management  
Patrick McHugh, Audit Liaison Officer, Office of Financial Management