



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

# **INSPECTOR GENERAL'S STATEMENT SUMMARIZING THE MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE U.S. DEPARTMENT OF THE INTERIOR**




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

OCT 14 2011

Memorandum

To: Secretary Salazar

From: Mary L. Kendall   
Acting Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior  
Assignment No. ER-SP-MOI-0008-2011

In accordance with the Reports Consolidation Act of 2000, we are submitting what we determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI). The challenges listed are for inclusion in DOI's Performance and Accountability Report for fiscal year 2011. These challenges reflect those that the Office of Inspector General (OIG) considers significant to Departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations.

We identified the top management and performance challenges as:

- energy management;
- climate change;
- water programs;
- responsibility to Indians and Insular Areas;
- *Cobell* and Indian land consolidation; and
- operational efficiencies.

We took a new approach to identifying DOI's management and performance challenges this year. We met with DOI officials to gain their perspective and together agreed on the challenge areas. These areas are important to DOI's mission, involve large expenditures, require substantial management improvements, or involve significant fiduciary relationships. We believe DOI could benefit by developing strategies to identify and address challenges in these areas, especially in those activities that span bureau and program lines.

# **Office of Inspector General Update Regarding the Top Management Challenges for the U.S. Department of the Interior**

## **I. Energy Management**

The U.S. Department of the Interior (DOI) has jurisdiction over 1.76 billion acres of the Outer Continental Shelf (OCS), manages about one-fifth of the land area of the United States, and manages 700 million acres of subsurface minerals throughout the Nation. DOI lands and waters generate almost one-third of the Nation's domestic energy production, resulting in royalties of approximately \$9.5 billion in fiscal year (FY) 2010 and \$9.9 billion in FY2009. In an effort to manage this responsibility more effectively, DOI is undergoing major changes in the area of energy management. The magnitude of these changes poses significant challenges within DOI's energy responsibility.

In the wake of the Deepwater Horizon tragedy, in May 2010 DOI reorganized the Minerals Management Service (MMS) into the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). Subsequent reorganizations have divided MMS into three independent entities:

- As of October 1, 2010, the Office of Natural Resources Revenue (ONRR), reporting to the Assistant Secretary for Policy, Management and Budget, has managed the revenue collection function.
- As of October 1, 2011, the Bureau of Ocean Energy Management (BOEM) will manage development of OCS resources.
- As of October 1, 2011, the Bureau of Safety and Environmental Enforcement (BSEE) will oversee safety and environmental compliance.

DOI faces increased challenges with the development of domestically produced offshore oil and gas. Offshore oil and gas development constitutes approximately 30 percent of domestically produced oil and 11 percent of the domestic natural gas supply. The vast majority of this production occurs in the central and western Gulf of Mexico (GOM). In achieving such levels of production, the GOM offshore oil and gas industry has reached farther offshore and deeper undersea with an outdated infrastructure. As the environment in which drilling becomes more complex, it exerts greater demands on equipment and pipelines. Many of the facilities are larger, more complex, more technologically sophisticated, and more distant from shore. As a result, DOI oversight of the energy resources of GOM has become equally more complex and challenging.

Another challenge DOI faces results from the outdated regulations governing its energy responsibility. An enormous gap exists between technological advancements and Departmental rule making. This gap often results in more departures and more applications for permits to modify. As a result, this increases the burden on BOEMRE staff.

Recent OIG reports have focused on challenges within BOEMRE's and the Bureau of Land Management's (BLM) enforcement program and BLM's onshore inspections and enforcement

program. The Government Accountability Office (GAO) has also designated DOI's management of oil and gas on leased Federal lands and waters as high-risk. Furthermore, the transfer of the Coastal Impact Assistance Program (CIAP) from BOEMRE to the U.S. Fish and Wildlife Service (FWS) presents additional challenges to DOI.

### **Issues facing BOEMRE and BLM**

OIG conducted a comprehensive evaluation of BOEMRE's OCS activities during the beginning phases of the reorganization, and identified problems in BOEMRE's policies and practices. OIG found that although the span of Federal control extends to industry chiefly through regulations, permitting, and inspections, BOEMRE could benefit from internal analysis of the appropriate role of industry in its operations. Improvements could result from professionalizing the inspector series, standardizing training, hiring more inspectors, and strengthening enforcement to ensure safety compliance. In addition, performing unannounced inspections, conducting inspections in two-person teams, witnessing high-risk operations, and modernizing the inspections process could help improve the effectiveness of inspections.

In response to OIG's findings, BOEMRE has worked for more than a year on program improvements. BOEMRE enhanced the standards for equipment, safety, and environmental safeguards in the drilling and production stages of offshore operations by issuing new requirements for safety equipment, drilling procedures, and workplace safety. To address conflicts of interest involving BOEMRE personnel, BOEMRE issued a recusal policy that requires inspections and permitting personnel in field offices to notify their supervisors of any conflicts. Personnel must request a recusal from performing any official duty in which a conflict of interest might exist. As a result, inspectors must not perform inspections of facilities of former employers and must report any attempt by industry or by other BOEMRE personnel to inappropriately influence or interfere with their official duties.

BOEMRE conducted a workload analysis and succession planning in order to identify and request additional staffing resources. OIG learned that BOEMRE plans to conduct a Nationwide search to identify talented personnel to fill many of the key senior positions in the newly created BOEM and BSEE. BOEMRE will engage in an aggressive recruitment campaign to hire new engineers, inspectors, scientists, and other experts into the new bureaus.

BOEMRE has also created eleven implementation teams to analyze critical aspects of BOEMRE's structures, functions, and processes in conjunction with considering the various recommendations for improvements received from several sources, including OIG, the President's Commission, the National Academy of Engineering, and the OCS Safety Oversight Board commissioned by Secretary Salazar.

OIG found that BLM faces problems similar to BOEMRE. In a recent review of BLM's oil and gas inspection and enforcement program, OIG found many opportunities for improving inspection strategy, performance of inspections, enforcement actions, training and retention of inspectors, and reliability of the program's electronic database. BLM also has a history of not completing its required number of production inspections. OIG found that inspection efforts are hampered because of provisions in the bureau's regulations that have not kept pace with modern technology.

## **Government Accountability Office's 2011 High-Risk List**

GAO designated DOI's management of oil and gas on leased Federal lands and waters as high-risk because DOI:

- does not have a reasonable assurance that it is collecting its share of revenue from oil and gas produced on Federal lands;
- 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; and
- is currently engaged in a broad reorganization of both its offshore oil and gas management and revenue collection functions.

With regard to this organizational effort, there are many questions about whether DOI has the capacity to undertake such reorganization while ensuring proper assessment and collection of billions of dollars of revenue owed the public and effectively managing oil and gas exploration and production on Federal lands and waters.

According to GAO, DOI faces ongoing challenges in two additional areas:

- *Revenue collection.* In 2008, GAO reported that DOI collected lower levels of revenues for oil and gas production than all but 11 of 104 oil and gas resource owners. GAO recommended that DOI reassess its revenue collection policies and processes. In response to GAO's September 2008 report, DOI commissioned a study with a target completion date in 2011. This study may reveal the potential for greater revenues to the Federal Government.
- *Human capital.* GAO reported that BLM and MMS encountered persistent problems in hiring, training, and retaining sufficient staff to meet its oversight and management of oil and gas operations on Federal lands and waters. For example, in 2010, GAO found that BLM and MMS experienced high turnover rates in key oil and gas inspection and engineering positions. As a result, DOI faces challenges meeting its responsibilities to oversee oil and gas development on Federal leases, potentially placing both the environment and royalties at risk.

DOI reported that it has set a new priority goal focused on completing reforms and improvements to increase the safety, environmental protection, and accountability associated with receiving adequate compensation for extraction of oil and gas from Federal lands. DOI increased budget resources beginning in FY2011 to support reforms and strengthen these programs. DOI expects these actions will help reduce risk, implement reforms, and effectively implement reorganization. GAO and OIG will continue to monitor DOI's progress related to revenue collection and enforcement.

## **Coastal Impact Assistance Program**

Beginning October 1, 2011, FWS will assume responsibility from BOEMRE for the \$1 billion Coastal Impact Assistance Program (CIAP). CIAP distributes funds to the OCS oil and gas

producing states and coastal political subdivisions (CPS) for the conservation, protection, and preservation of coastal areas, including wetlands.

BOEMRE implemented and oversaw this program from its inception. In FY2012, however, FWS will assume responsibility for CIAP. To ensure minimal impact on recipients, DOI faces the challenge of providing a seamless transfer of approximately \$730 million in undistributed funds from BOEMRE to FWS and transferring approximately 350 open grants. FWS's migration to DOI's Financial and Business Management System (FBMS) and the Treasury's Automatic Standard Application for Payments (ASAP) will further complicate the transfer. To be successful the Department must ensure that:

- FWS obtains expertise in the program's regulations, to include knowledge of allowable grant projects;
- foundational program knowledge is communicated from BOEMRE to FWS to avoid disruption of the grant award process;
- BOEMRE properly transfers open grant balances from BOEMRE to FWS without limiting the recipient's access to grant monies;
- FWS is fully operational on the FBMS and ASAP systems upon transfer completion; and
- grant recipients are fully apprised of the transfer and any impacts on the recipients.

DOI has taken steps that are critical in meeting the challenges of the transfer, such as establishing ongoing meetings to develop a comprehensive plan and timeline and developing a communication and outreach program. OIG will conduct verification reviews as necessary to ensure DOI achieves its intended results.

## **2. Climate Change**

The sheer scope of climate change, combined with the difficulty of identifying region-specific impacts and the need to develop response strategies, poses a significant management challenge to DOI. DOI manages one-fifth of the Nation's lands, about 500 million acres within its 394 national park units, 553 wildlife refuges, 71 fish hatcheries, and 248 million acres of public land that include 21 national conservation areas and 16 national monuments. DOI is also the largest supplier and manager of water in the 17 western states. The lands and resources managed by DOI face increasingly complex and widespread environmental challenges associated with climate change, such as destruction from invasive species, like the pine bark beetle; coastal erosion; and species moving into habitats they never previously inhabited. Some communities face increasing issues with water availability and drought due to climate-related changes in hydrology patterns, which affects farming and other land uses, while other urban and rural areas face issues with flooding.

DOI faces the challenge of developing relevant scientific information for land, water, and wildlife managers on a regional basis. DOI also faces the challenge of working across landscapes and watersheds with other Federal agencies, states, local and tribal governments, and private partners to formulate shared understandings and common strategies for land and resource

managers consider taking to adapt to the challenges and ensure the resilience of our Nation's resources.

DOI has created the Climate Change Adaptation Initiative in an effort to gain effective and broad collaboration to determine causes, formulate solutions, and implement changes to reduce or reverse climate impacts to land, water, natural, and cultural resources. The Initiative supports the development of scientific information and tools needed by land and resource managers as they make decisions and share information across DOI's bureaus and interested Governmental and non-Governmental partners.

DOI is establishing eight Climate Science Centers (CSC) to develop and deliver region-specific climate-related research, information, and tools. DOI is also developing landscape-specific scientific evaluations of climate impacts through a Nationwide network of 22 Landscape Conservation Cooperatives (LCC) that will work collaboratively across jurisdictions and political boundaries to leverage resources and share science capacity. DOI's FY2012 goal for the Initiative is to identify the areas and species ranges in the United States that are most vulnerable to climate change and implement comprehensive response strategies in these areas.

DOI's FY2012 budget request for climate change of \$175 million supports completion of the network of LCCs and CSCs, as well as supporting individual bureau adaptation activities. To ensure maximum coordination in this effort across DOI bureaus, oversight of the Initiative rests with DOI's highest leadership. DOI's Energy and Climate Change Task Force, co-chaired by the Deputy Secretary and the Counselor to the Secretary, sets the policy direction for the Initiative. A Climate Change Working Group comprised of deputy-level officials from each bureau meets regularly to ensure cross-bureau collaboration.

### **3. Water Programs**

As the largest supplier and manager of water in the 17 western states, DOI delivers irrigation to 31 million people, 1 out of every 5 western farmers, and 10 million acres of farmland. Some of the challenges associated with this responsibility include an aging water infrastructure, rapid population growth, depletion of groundwater resources, impaired water quality associated with particular land uses, and land covers.<sup>1</sup> Water needed for human and environmental uses, as well as climate variability and change, all play a role in determining the amount of fresh water available at any given place and time.

Prolonged drought has increased water challenges across the Nation, particularly in the West and Southeast. Drought, in addition to increased demands, exacerbates the challenges facing traditional water management approaches.

Adding complexity to these challenges is the governance of fresh water, which involves numerous jurisdictions and a complex array of laws and ownership and insufficient knowledge about water quantity and quality. DOI faces the challenge of balancing limited water resources between multiple uses, habitat restoration, and responsibilities to the Endangered Species Act.

---

<sup>1</sup> Land cover is the physical material at the surface of the earth, such as grass, trees, or asphalt.

With such complex responsibilities comes the challenge of preventing and detecting fraud and waste to ensure tax dollars are well spent.

DOI's water sustainability goal, established in 2010, commits DOI to annual targets of increasing the available water supply for agricultural, municipal, industrial, and environmental uses in the western United States through the Bureau of Reclamation's (USBR) conservation-related programs, such as water reuse and recycling and water-related grants. USBR has budgeted and implemented programs, including WaterSMART grants and basin studies, to increase conservation and increase the reliability of water supplies for people while balancing water needs to advance species and habitat conservation.

In addition, DOI is working toward negotiation, settlement, and implementation of American Indian water rights settlement claims; pursuing workable solutions to regional issues, like the California Bay-Delta; and identifying other water conservation efforts across the country.

#### **4. Responsibility to Indians and Insular Areas**

Management problems persist in programs for American Indians and island communities. DOI works with 565 Federally recognized Indian tribes, has trust responsibilities for 112 million surface and subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 41,000 Indian children in 183 schools and dormitories. Some of the Indian Country programs managed by DOI include Indian Trust for Lands and Funds, Indian Education, Self-Determination, Energy and Economic Development, Indian Gaming, and Justice Services.

DOI also has responsibilities to seven island communities, including four territories and three sovereign island nations. DOI provides general administrative supervision of the relations between the U.S. Government and the territories of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands. For the three sovereign nations, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, DOI administers and oversees U.S. Federal assistance provided under the Compacts of Free Association. DOI coordinates with the State Department and other Federal agencies to promote economic development and budgetary self-reliance in these countries.

##### **Indian Affairs**

Responsibility to American Indians has consistently been a top management challenge for DOI. Approximately 28 percent of OIG investigations involve Indian Country issues, and recent OIG reviews disclosed needed improvements in controls over wildland fire suppression funds and managing detention facilities' funding, staffing, and maintenance.

Our July 2011 review of the Bureau of Indian Affairs' (BIA) use of wildland fire suppression funds found deficiencies in BIA's control of these funds that increase the risk of fraud, waste, and abuse. The most serious deficiencies relate to tribal agreements, cost monitoring, recording of obligations/expenses, and paying of expenses. Our review revealed that these BIA control deficiencies jeopardize DOI's wildland fire suppression effectiveness because fire suppression



funds are shared throughout DOI. The deficiencies have also contributed to the large number of wildland fire-related cases investigated by OIG and affected the wildland firefighting activities of states, Indian tribes, and other entities because they share fire suppression responsibilities. Insufficient bureau-level guidance and monitoring are the major contributors to the deficiencies identified, particularly concerning those associated with tribal agreements.

Our March 2011 review to evaluate how BIA spent a 48 percent funding increase that it received for staffing its detention facilities revealed that BIA does not have a budget allocation for staffing its detention facilities. It also revealed that BIA lacks a financial management system that identifies, accumulates, and reports on how BIA spends funds agency-wide.

BIA did not address staffing shortages reported in a 2004 OIG report, and detention facilities remain understaffed. BIA attempted to address the staffing shortage by entering into a \$1 million, 1-year contract with the National Native American Law Enforcement Association (NNALEA) for recruitment services. Because of flaws in the award process and price negotiations, a vague statement of work, and unspecific contract performance requirements that our office identified in the contract, BIA terminated the contract after 8 months for convenience. Since the contractor claimed to have performed most of the work necessary under the terms of the contract, BIA paid \$967,000 for recruitment efforts, which bore little, if any, benefit.

OIG also found that the facilities themselves were in poor condition. As part of the FY2011 goals, DOI is focusing on safety in Indian communities. BIA has been working to address overall detention operational deficiencies, which includes the recruitment and retention of correctional officers and improving the overall physical conditions of detention facilities. According to bureau officials, BIA has developed and begun implementing a recruitment model to hire correctional officers that has already shown promising practices to help alleviate staffing shortages. This model includes salary upgrades, open and continuous job vacancies for correctional officer positions Nationwide, recruitment and retention bonuses, and duty-station travel allowances. BIA is also working on establishing a system to track the number of various law enforcement positions agency-wide and account for the allocation and expenditure of law enforcement funds.

Indian Affairs and its bureaus continue to experience challenges regarding administrative backlogs from our Office of Investigations. It has had an historical backlog of responses to OIG for corrective administrative action resulting from allegations investigated. When OIG investigates an allegation and determines it is administrative in nature, OIG refers the misconduct to the responsible office. That office then has 90 days to respond on actions taken. To address the issue of its backlogged responses, Indian Affairs elevated the responsibility for timely action to Bureau Directors and other individuals at the Senior Executive Service level. Indian Affairs also mandated training to all managers and supervisors to help clear the backlog, and is working to ensure that no further backlogs develop. Recent initiatives have resulted in promising progress, but, based on historical backlogs, we are not convinced that these changes are sustainable long-term without continuous OIG oversight.

## **Insular Areas**

DOI seeks to increase Federal responsiveness to the needs of the Insular Areas through the Office of Insular Affairs (OIA). OIA works to improve the financial management practices of the Insular Area governments and to increase economic development opportunities through financial and technical assistance. The FY2011 budget for the Insular Areas includes \$85 million for capital improvements, operation, and technical assistance to the four U.S. territories; \$220 million for the programs of the three nations under the Compacts of Free Association; and \$145 million in tax-related payments to the U.S. Virgin Islands and Guam. Overall, OIA annually funds the Insular Area government programs that focus on education, health care, infrastructure improvement, public sector capacity building, private sector development, and the environment. In addition, the Department of Defense FY2011 budget includes a proposal to transfer \$10.1 million to OIA for costs related to the military build-up on Guam.

The imminent relocation of thousands of U.S. military personnel and their dependents from Okinawa, Japan to Guam is a huge challenge on many fronts, including the creation of a Federal Government-wide funding strategy for needed civilian infrastructure upgrades. OIG is currently examining Guam Power Authority's (GPA) ability to account properly for the maintenance and condition of key infrastructure components and assessing their efforts to expand service capacity, increase reliability, assure continuity of service for critical facilities, prepare for contingencies, and incorporate alternative energy sources. OIG sees improvements needed in increasing reliability, maintaining key infrastructure components, and incorporating renewable energy. While GPA has established plans for the impact of the build-up on Guam, uncertainties over the actual relocation date and funding sources and amounts have prevented GPA from executing its plans. The relocation, however, presents a significant economic opportunity for the island.

Our reviews have found that many of the Insular Area governments lack the resources necessary to adequately prevent and detect fraud, waste, and abuse involving Government-funded programs. Although the Insular Areas have made some improvements in this area, OIA must provide greater oversight and implement a more active approach to assisting the Insular Area governments.

Reviews have also identified ongoing management and financial problems in the Insular Areas. For example, internal control weaknesses previously reported by OIG and GAO continue to exist, according to a recent GAO report. The report states that about 40 percent of grant projects funded through OIA have weaknesses, to include insufficient reporting and record-keeping discrepancies in grant recipient activities; joint activity between grant recipients and OIA; and OIA's grant management, which may increase susceptibility to mismanagement. OIG has found that some Insular Area governments do not have sufficient resources to investigate and pursue prosecution of those involved in theft of Government funds.

Over the past 6 to 8 years, OIG's initiative in Hawaii and the Pacific Insular Areas has focused on capacity building through leveraging OIG resources with those of the Insular Areas Public Auditors to capitalize on efficiencies gained by a more effective use of workforces. OIG has worked to expand both the capacity of the local Offices of the Public Auditors (OPA) as well as their efforts toward strong financial and program accountability in the Insular Areas.

OIG has also worked with OIA to implement an OPA training program rotating OPA staff to various OIG mainland regional offices for on-the-job training opportunities. This training program is designed for a greater self-sufficiency and a significantly increased capacity for OPAs, thereby enabling them to monitor the expenditures of Federal and local funds to the mutual benefit of all parties. OIG has looked to involve other Federal OIGs and program officials that provide Federal funds to the Insular Area governments to help strengthen controls over grant monies and bring the governments in line with standard business practices.

Building on past successful efforts, OIG will concentrate its efforts on providing increased technical assistance, training, fraud awareness, and outreach support to OPAs and the Insular Area governments. OIG is hopeful that this emphasis continues to strengthen the OIG's capacity-building and resource-leveraging effort with OPAs and their challenge in overseeing the financial and program resources and activities of the Insular Area governments.

Recent reviews have also focused on ongoing energy issues and challenges in the management of the Insular Areas' capital improvement projects. OIG is currently evaluating the areas of health care, the viability of the U.S. Virgin Islands' retirement system, and the administrative functions of the U.S. Virgin Islands' legislature.

DOI stated that OIA has developed goals and strategies to help identify areas of greatest need, including implementation of a new 2012-2016 Strategic Plan goal to Empower Insular Communities and development of associated performance measures. According to DOI, OIA is demonstrating leadership in developing partnerships to gather Gross Domestic Product statistics, development of energy assessments and sustainable and renewable energy plans, safety assessments of schools, economic opportunities for small businesses, and planning for diversification of island economies. DOI also stated that OIA supports the efforts of associations of senior Insular Area officials to improve financial management, revenue and collections, audits, and workforce development. OIG will review these programs as necessary to ensure improvement.

## **5. *Cobell* and Indian Land Consolidation**

In December 2009, the Secretary announced the settlement of the long-running and highly contentious *Cobell* class-action lawsuit regarding the U.S. Government's trust management and account of over 300,000 individual American Indian trust accounts. Congress approved the \$3.4 billion *Cobell* settlement on November 30, 2010 (Claims Resolution Act of 2010). The President signed the settlement on December 8, 2010, and the U.S. District Court approved the final settlement on August 4, 2011.

Indian land fractionation is a large part of the settlement and has been a major challenge for many years. The *Cobell* settlement presents new challenges to DOI. As far back as 1960, the Chairman of the House Committee on Interior and Insular Affairs stated:

For many years we have recognized that one of the most serious problems facing our American Indian population is that of [inherited] land. With each passing generation the

difficulties of solving this problem multiply and if some solution is not forthcoming it will be so acute by the turn of the century that the Federal Government will be unable to bear the burden of handling the administration of the land and the Indians will find their estate so fractionated that their utilization will be nearly impossible.

The General Allotment Act of 1887 divided Tribal land into parcels and allotted them to individual Indians. Because wills were not widely used, smaller and smaller land interests descended to successive generations thereby fractionating the land. Land fractionation limits the tribes' productive use of the land and creates jurisdictional issues. It also requires that BIA and the Office of the Special Trustee for American Indians devote a significant portion of their budgets to administer the fractionated land interests.

To address land fractionation, the settlement established a \$1.9 billion fund for the voluntary buy-back and consolidation of fractionated land interests. The land consolidation program will provide individual American Indians with an opportunity to obtain cash payments for the sale of their undivided land interests and provide tribal communities with the economic benefit resulting from better use of the land.

Recent OIG reviews disclosed the need for better communication and coordination among the many offices throughout DOI that are involved in Indian land consolidation efforts. Our January 2011 evaluation report focused on opportunities designed to improve communication, coordination, and identification of needed resources. Subsequent OIG advisory reports have focused on appraisal tools needed to help the land consolidation program succeed, such as a mass appraisal system and a centralized tracking system at the Office of Appraisal Services within the Office of the Special Trustee for American Indians.

As part of its planning for Indian land consolidation, DOI is conducting tribal consultation meetings throughout the Nation. These meetings are an important step in Departmental efforts to develop a comprehensive plan to reduce fractionation. The many DOI offices that will be involved in land consolidation efforts have also done significant work to prepare for the planning and implementation of the eventual Indian land consolidation project. During this time, OIG continues its effort to monitor and evaluate the accountability of funding provided to DOI in the settlement. The Department is working with the OIG to provide updates on planning for the *Cobell* land consolidation efforts.

## **6. Operational Efficiencies**

DOI, like other Government agencies, faces new economic challenges in anticipation of significant budgetary cuts. The recently enacted Budget Control Act of 2011 set ceilings on total discretionary spending and calls for significant deficit reduction over the next decade. In addition, the Accountable Government Initiative has called for significant change in the way Government does business and has outlined strategies for cutting waste, reforming contracting, closing the information technology gap, and promoting accountability and innovation through open Government. In response to these mandates, management must identify waste, identify

overlapping programs and functions, and reorder priorities to operate with limited discretionary spending.

According to the FY2012 DOI budget submission, the budget includes \$99.4 million in reductions reflecting administrative cost savings as part of the Accountable Government Initiative. DOI will implement these reductions by changing how it manages travel, employee relocation, acquisition of supplies and printing services, and the use of advisory services. These reductions complement \$62 million in travel, information technology, and strategic sourcing savings identified as part of DOI's FY2011 budget request, along with bureau-specific efficiencies. DOI does not expect the proposed savings in administrative functions to have an impact on programmatic performance.

DOI's ability to achieve administrative cost savings will be critical to its success in limiting overall discretionary spending. DOI has embarked on an aggressive effort to curb non-essential administrative spending, but leveraging these initiatives to realize savings with minimal programmatic impact will be a continuous challenge in the years ahead.

Keeping in line with DOI's strategic plan mission area of building a 21<sup>st</sup> century DOI, Departmental Chief Information Officers (CIO) have worked together to evaluate options to reduce duplication and parallel investment in information technology (IT) infrastructure with the objective of identifying immediate and long-term solutions for realizing efficiencies and cost savings across DOI's IT environment. The CIOs identified five focus areas for efficiency and cost savings, which include:

- risk-based information security services;
- infrastructure consolidation;
- unified messaging;
- workstation ratio reduction; and
- radio site consolidation.

The Department issued an IT Transformation Strategic Plan in July 2011 to guide these efforts and the CIOs are developing strategies within each of the focus areas to identify the potential for short- and long-term savings.

DOI can realize cost savings by using alternatives to travel for long-distance meetings such as teleconferencing; video teleconferencing (VTC); and shared Web sites or Web-conferencing, which enable real-time communication and document sharing. DOI plans to leverage its current inventory of VTC facilities by making them available to all bureaus and offices to maximize use. OIG has cataloged all DOI VTC sites and equipment and identified potential cost efficiencies VTC might provide. In addition to leveraging VTC technology, DOI also plans to issue travel targets against which managers can track travel spending throughout the year and reinforce smarter travel practices that emphasize highest priority mission travel.

Many opportunities exist for improvement in operational efficiencies. OIG recognizes DOI's active approach to address the Accountable Government Initiative, yet challenges remain. OIG will continue to monitor DOI's progress in these areas and conduct reviews as appropriate.

## Conclusion

Working with DOI officials, OIG identified energy management, climate change, water programs, responsibility to Indians and Insular Areas, *Cobell* and Indian land consolidation, and operational efficiencies as the most significant management and performance challenges facing DOI. While DOI has started to address some of the issues related to these challenges, much more work is needed to ensure greater accountability, promote efficiency and economy in operations, and establish effective oversight in the activities that comprise DOI's mission. This report will assist DOI in identifying the steps needed to develop strategies and implement policies and processes necessary to sustain improvements in an environment of increasing complexity and limited resources.

# **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.doioig.gov](http://www.doioig.gov)

**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