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

Report No.: ER-SP-MOI-0008-2014

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Memorandum

To: Secretary Jewell

From: Mary L. Kendall
Deputy Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the U.S. Department of the Interior
Report No. ER-SP-MOI-0008-2014

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it determined are 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 "Agency Financial Report" for fiscal year 2014. These challenges reflect those that 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 American Indians and Insular Areas;
- information technology;
- disaster response;
- operational efficiencies; and
- public safety.

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 continuous management improvements, or involve significant fiduciary relationships. We believe DOI would benefit by developing strategies to identify and address challenges in these areas, especially in those that span bureau and program lines.

Table of Contents

Introduction and Approach

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it has determined to be the most significant management and performance challenges facing the U.S. Department of the Interior (DOI). These challenges reflect those that OIG considers significant to departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations.

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- energy management;
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- responsibility to American Indians and Insular Areas;
- information technology;
- disaster response;
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- public safety.

The challenges are not presented in order of priority. Each is critical to the management or performance of DOI operations.

This report is based on specific OIG and U.S. Government Accountability Office (GAO) reviews and other reports, as well as our general knowledge of DOI's programs and operations. Our analysis generally considers those accomplishments that DOI reported as of September 30, 2014.

Eight challenge areas are included in this year's report. These areas are connected to DOI's mission, involve large expenditures, require continuous management improvements, and involve significant fiduciary relationships. We believe DOI would benefit by developing strategies to identify and address challenges in these areas, especially in those that span bureau and program lines. In addition to providing summaries of OIG work, as done in previous reports, this year's report introduces a "Looking Ahead" section that offers a more forward-thinking context for critical topics under each challenge area.

Energy Management

DOI plays a central and essential role in powering America's future through the development of our Nation's domestic energy resources. The Department has jurisdiction over 1.7 billion acres of the Outer Continental Shelf (OCS), manages 500 million acres of public lands, and manages 700 million acres of subsurface minerals throughout the Nation. Approximately 30 percent of the Nation's energy production comes from projects on DOI-managed lands and offshore areas.

Through modernizing practices, leveraging technology, and looking across the Government and industry for best practices, DOI aims to manage and develop energy resources in an environmentally and economically responsible manner.

DOI's oversight of Federal lands encompasses the responsibility to protect the environment and preserve the country's natural resources for current and future generations. DOI's role in clean energy development was solidified in June 2013, when the President's Climate Action Plan challenged DOI to permit 20 gigawatts of clean energy on public lands by 2020.

Government Accountability Office's High-Risk List

In February 2011, GAO added DOI's management of Federal oil and gas resources to its biennial list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement or in need of broad-based transformation.[1] The GAO report specified ongoing challenges in three broad areas: (1) collection of revenue from oil and gas produced on Federal lands; (2) hiring, training, and retaining staff; and (3) restructuring oil and gas programs.

In a 2013 update, GAO noted that progress had been made in DOI's management of Federal oil and gas resources but that the program remained on the High-Risk List.[2] The GAO report specified ongoing challenges in the two areas of revenue collection and human capital. GAO initiated three reviews related to the management of Federal oil and gas resources on public land and Federal waters in the OCS.

The first report[3] addressed GAO's concerns related to the quality and continuity of operations during the reorganization that created the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE). GAO noted that DOI's inspections of offshore Gulf of Mexico oil and gas drilling rigs and production platforms routinely identified violations and that the Department's database was missing data on when violations were identified as well as violation correction dates for about half of the violations issued. GAO

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[1] GAO Report GAO-11-278: "High-Risk Series: An Update." Published February 16, 2011.
[2] GAO Report GAO-13-283: "High-Risk Series: An Update." Published February 14, 2013.
[3] GAO Report GAO-12-423: "Oil and Gas Management: Interior's Reorganization Complete, But Challenges Remain in Implementing New Requirements." Published July 30, 2012.

noted that DOI does not know on a real-time basis whether or when all violations were identified and corrected, potentially allowing unsafe conditions to continue for extended periods. Although DOI began implementing a number of policy changes to improve both its inspection and civil penalty programs, GAO noted that the Department had not assessed how these changes would affect its ability to conduct monthly drilling rig inspections. Additionally, GAO noted that DOI continues to face challenges following its reorganization that may affect its ability to oversee oil and gas activities in the Gulf of Mexico. Specifically, DOI's capacity to identify and evaluate risk remains limited, raising questions about the effectiveness with which it allocates its oversight resources. GAO made recommendations for improving the effectiveness of inspections, categorizing oil and gas activities according to risk, and planning strategically for information technology and workforce efforts.

GAO's second report focused on human capital for oil and gas management in BOEM, BSEE, and the Bureau of Land Management (BLM).[4] GAO found that DOI continues to face challenges hiring and retaining key oil and gas staff primarily because of higher industry salaries and the lengthy Federal hiring process. DOI has taken some actions to address hiring and retention challenges; however, ongoing hiring and retention challenges have made it more difficult to carry out some oversight activities. GAO recommended that DOI (1) expand use of existing authorities, including recruitment, relocation, and retention incentives; and (2) systematically collect and analyze data on hiring times for key oil and gas positions to identify the causes of delays in the hiring process.

GAO's third report focused on oil and gas revenue management in BOEM, BSEE, and the Office of Natural Resources Revenue (ONRR).[5] GAO reviewed DOI's collection of oil and gas revenue and steps the Department has taken to ensure the public receives a fair return on oil and gas resources. GAO found that DOI has taken some steps to help ensure a fair return, but does not have procedures for periodically conducting assessments of the fiscal system. GAO recommended that DOI establish documented procedures for (1) periodically assessing the fiscal system and (2) determining whether and how to change new offshore lease terms. BOEM is developing procedures, which are due in fiscal year (FY) 2016.

Summary of OIG Work

During FY 2014, OIG conducted five reviews that focused on oil and gas permitting and the management of oil and gas activities. During this same period, approximately 18 percent of OIG investigations were identified as energy-related.

[4] GAO Report GAO-14-205: "Oil and Gas: Interior Has Begun To Address Hiring and Retention Challenges But Needs To Do More." Published January 31, 2014.
[5] GAO Report GAO-14-50: "Oil and Gas Resources: Action Needed for Interior to Better Ensure a Fair Return." Published December 6, 2013.

Onshore Oil and Gas

Onshore Oil and Gas Permitting

Oil and gas production is a major activity on Federal and Indian lands, with annual royalty revenues averaging $3 billion. About 92,000 oil and gas wells currently exist on Federal lands, and industry drills more than 3,000 new wells annually. Prior to drilling a well using a Federal permit, an operator must submit an application for permit to drill (APD). BLM has primary responsibility for approving the APD, but coordinates with other Federal agencies—primarily the Bureau of Indian Affairs (BIA) and the U.S. Department of Agriculture's Forest Service—when the proposed well site is under these agencies' jurisdiction. BLM receives about 5,000 new APDs each year, which it processes at 33 field offices, mostly in the Western States.

In June 2014, OIG completed an evaluation of the effectiveness and efficiency of BLM's drilling permit process. We found long review times, insufficient process management, and inadequate database management. In addition, we found that BLM does not have a results-oriented performance goal to address processing times. Delays in the permitting process can result in lost royalties to the Federal Government and Indian mineral owners. We made six recommendations that we believe should significantly increase BLM's capability to process APDs, thereby reducing processing times and lessening the burden on industry and BLM.

BLM Oil and Gas Trespass

OIG issued an inspection report on BLM's policies and procedures to detect and deter trespass and drilling without approval (DWOA) into the Federal oil and gas mineral estate. We found that BLM does not have nationwide policies and procedures to detect trespass and DWOA. We also found that BLM has no nationwide policies to deter or process trespass. Lastly, we found that BLM's weak policies do not significantly deter cases of DWOA.

With industry's increasing use and expansion of horizontal drilling, the potential for trespass or DWOA into Federal minerals has also increased. Since Federal and private lands are often in close proximity, it is easier for operators of wells on private lands to drill into the Government's subsurface mineral estate. The Federal Government is at risk, therefore, of not receiving royalty payments. This is particularly true in States with highly fragmented Federal mineral ownership, such as North Dakota and Oklahoma. In the past several years, for example, BLM's North Dakota Field Office identified about 10 cases of potential trespass and 70 cases of DWOA, and BLM's Oklahoma Field Office identified about 40 cases of DWOA. We made four recommendations to help BLM monitor and deter trespass and DWOA and ensure uniform and appropriate handling of these violations.

Osage Agency's Management of the Osage Nation's Energy Resources

OIG issued a report that assessed BIA's Osage Agency's effectiveness in managing the Osage Nation's oil and gas program. The Osage Nation is a federally recognized tribe, primarily located on the Osage Reservation in Pawhuska, OK. The Osage Agency oversees and provides services to the Osage Nation and its mineral estate, which covers approximately 1.5 million acres in Osage County, OK. The combined oil and gas royalties in FYs 2010 and 2011 were $224 million. Osage Agency officials expect that operators will drill an additional 7,500 wells between FYs 2012 and 2027, generating $13.6 billion in estimated royalties.

Our evaluation found weaknesses in many aspects of the Osage Agency's oil and gas activities, including issues with policies and procedures, environmental compliance, planning and mineral resource management, and data management. A substantial cause for these deficiencies is poor oversight by prior Osage Agency superintendents and insufficient capabilities of Osage Agency staff. We made 33 recommendations to help correct the identified weaknesses and improve the Osage Agency's management of the mineral estate.

Evaluation of DOI Underground Injection Control Well Activities

After completing the survey phase of an evaluation into Class II underground injection control wells on DOI lands, we determined that further review of these wells was not warranted and issued a closeout memorandum on December 19, 2013. The U.S. Environmental Protection Agency (EPA) defines Class II wells as injection wells associated with oil and gas production, disposal of fluids associated with oil and gas production, and hydrocarbon storage (but not hydraulic fracturing unless diesel fuel is used). In the closeout memorandum issued to BIA, BLM, the U.S. and Wildlife Service (FWS), and the National Park Service (NPS), we identified three issues that merited DOI's attention: (1) the need for clear and consistent memoranda of understanding to govern well operations; (2) misclassification of certain wells in a State database; and (3) abandoned oil and gas equipment in a wildlife refuge. We have initiated a separate OIG review of orphaned and abandoned oil and gas wells on wildlife refuges.

Offshore Energy

Evaluation of Offshore Oil and Gas Permitting Activities

OIG issued an evaluation report that assessed BSEE's effectiveness and efficiency in reviewing and approving oil and gas permits on the OCS, as well as to follow up on the seven permitting recommendations from our 2010 OCS report, four of which have been closed in the past 4 years.

This permitting 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. Our evaluation found that BSEE conducts drilling permit activities with limited oversight from its headquarters office in Washington, DC. This creates policy differences 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 made 9 recommendations to enhance management of the offshore oil and gas permitting program. These recommendations should 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.

Deepwater Horizon Task Force

OIG continued to provide resources to the Deepwater Horizon Task Force that was formed to investigate the worst environmental catastrophe in U.S. history. As a result of the task force's investigation, three companies have pleaded guilty.

Five individuals have also been charged in this case. On December 18, 2013, a jury in New Orleans, LA, convicted a former engineer of intentionally destroying evidence related to the oil spill. In January 2014, a former manager was sentenced to 1 year of probation after pleading guilty to destroying evidence related to the case. Obstruction and false statements charges are pending against a former executive, and manslaughter and other charges remain against two former well site leaders.

Looking Ahead

Oil and Gas Revenues and Permitting

Although DOI has restructured its oil and gas program, transferring offshore oversight responsibilities to BOEM and BSEE and assigning the revenue collection function to ONRR, this restructuring did not include BLM's management of onshore Federal oil and gas activities. BLM is charged with one of the most complex missions of any land-use agency—managing for multiple use and sustainability of more than 250 million surface acres and 700 million acres of mineral estate.

Long review times associated with the APD process have created uncertainties for both industry and BLM. Both the Federal Government and Indian mineral owners risk losing royalties from delayed oil and gas production, and if not corrected, delays in the process will likely cause some wells not to be drilled, resulting in additional losses in production and revenues. BLM has been developing and executing plans to address these and other deficiencies identified in reports issued by OIG and GAO.

BOEM manages about 6,100 active OCS leases, covering more than 33 million acres, with the vast majority in the Gulf of Mexico. Of those, 1,023 are producing leases, covering over 5 million producing acres. In 2013, OCS oil and gas leases accounted for about 18 percent of domestic oil production and 5 percent of domestic natural gas production. The Outer Continental Shelf Lands Act requires the Secretary of the Interior, through BOEM, to prepare and maintain a schedule of proposed oil and gas lease sales in Federal waters, indicating the size, timing, and location of auctions that would best meet national energy needs for the 5-year period following its approval. In developing the schedule ("Five Year Program"), the Secretary is required to achieve an appropriate balance among the potential for environmental impacts, for discovery of oil and gas, and for adverse effects on the coastal zone.

The current Five Year Program (for 2012 – 2017), which expires in August 2017, schedules 15 potential lease sales in six planning areas with the greatest resource potential, including more than 75 percent of the estimated undiscovered, technically recoverable oil and gas resources in Federal offshore waters. DOI is currently developing the next schedule (2017 – 2022) of potential offshore oil and gas lease sales in Federal waters. Per statute and consistent with previous efforts, BOEM will need to evaluate all of the OCS planning areas during this first stage. In doing so, BOEM will need to seek a wide array of input, including information on the economic, social, and environmental values of all OCS resources, as well as the potential impact of oil and gas exploration and development on other resource values of the OCS and the marine, coastal, and human environments.

Hiring and Retention

GAO identified DOI challenges in hiring and retaining staff with key skills needed to manage and oversee oil and gas operations on Federal leases. DOI has noted two major factors that contribute to these challenges at the three bureaus (BLM, BOEM, and BSEE) that manage oil and gas activities—the first is lower salaries, and the second is a slow hiring process, when compared with similar positions in private industry. The three bureaus have all reported ongoing difficulties filling vacancies, particularly for petroleum engineers and geologists.

Although DOI and the three bureaus have taken some actions to address their hiring and retention challenges, they have not fully used their existing authorities to supplement salaries or collect and analyze hiring data to identify the causes of delays in the hiring process. BLM, BOEM, and BSEE officials have noted that recruitment, relocation, and retention incentives are key options to help hire and retain staff, but use of these incentives to attract and retain petroleum engineers and inspectors has been limited. Bureau officials have cited steps they have taken to address vacancies in key positions, such as borrowing staff from other offices or using overtime, but these solutions are not sustainable. Through the Consolidated Appropriations Act of 2012 (Pub. L. No. 112-74), Congress provided the authority for BOEM and BSEE to establish higher pay rates for specific employees. This authority has been extended through FY 2015 under the Consolidated Appropriations Act of 2014 (Pub. L. No. 113-76), and higher pay rates have been applied to 142 BOEM employees.

The FY 2012 attrition rate for petroleum engineers at BLM was over 20 percent, or more than double the average Federal attrition rate of 9.1 percent. However, the attrition rate for other key oil and gas staff during FY 2012 was lower than the Federal average. Nonetheless, attrition remains a concern because some BLM field offices have only a few employees in any given position, and a single separation could significantly affect operations. DOI records also show that the average time required to hire petroleum engineers and inspectors exceeds 120 calendar days—much longer than OPM's target of 80 calendar days—much longer than OPM's target of 80 calendar days.

In March 2014, BLM issued guidance on the implementation of special pay rates for all petroleum engineers and petroleum engineering technicians in General Schedule grades 5 through 14 working in the oil and gas production program. In an effort to ensure BLM's competitiveness to recruit and retain qualified petroleum engineers and petroleum engineering technicians, BLM established mandatory recruitment and relocation incentives in May 2014. According to BLM, BOEM, and BSEE officials, hiring and retention challenges have made it more difficult to carry out oversight activities in some field offices. For example, many BLM and BSEE officials surveyed by GAO reported that vacancies have resulted in reduced numbers of inspections conducted.

Retention is significant concern within DOI, and the hiring and retention issues have direct impact on DOI's ability to collect its share of revenue from oil and gas produced on Federal lands, and to provide oversight and management of oil and gas operations on Federal lands and waters.

Renewable Energy

The President's Climate Action Plan directs DOI by 2020 to permit 20,000 megawatts of renewable energy on public lands, or enough to power more than 6 million homes. Toward this end, since 2009, DOI has approved 48 solar, wind, and geothermal utility-scale projects on public lands, including associated transmission corridors and infrastructure to connect to established power grids. When built, these projects add up to more than 13,300 megawatts—enough energy to power nearly 4.62 million homes and support more than 19,900 construction and operations jobs. To date, BOEM has awarded five commercial wind energy leases off the Atlantic coast: two noncompetitive leases (Cape Wind in Nantucket Sound off Massachusetts and an area off Delaware) and three competitive leases (two offshore Massachusetts-Rhode Island and another offshore Virginia). Competitive lease sales have generated about $4.7 million in bonus revenue for about 277,550 acres in Federal waters.

In August 2014, BOEM offered two additional leases covering 80,000 acres located off the Maryland coast for commercial wind energy development in a competitive lease sale generating additional high bids of $8.7 million. BOEM is expected to hold additional competitive auctions for wind energy areas for offshore Massachusetts and New Jersey in the coming year. These areas cover 742,000 acres and nearly 344,000 acres, respectively.

As with oil and gas, issues resulting from delays in permitting, as well as the lack of qualified personnel with offshore renewable energy experience needed for inspection and enforcement programs, will likely have the potential to adversely affect both industry and Government efforts. Combined with environmental impact issues that may also impede the development of renewable resources, the potential exists for not only lost revenues but also lost energy production. By addressing these issues, DOI stands to recoup lost revenues and take the lead in renewable energy.

Hydraulic Fracturing on Federal and Indian Lands

Hydraulic fracturing ("fracking"), directional drilling, and other advanced technologies have allowed the production of oil and gas from rock formations that previously could not be developed.

Approximately 90 percent of wells drilled on Federal and Indian lands use hydraulic fracturing, but BLM's current regulations governing these operations on public lands are more than 30 years old and were not written to address modern hydraulic fracturing activities. In 2013, BLM released a revised proposed rule designed to modernize its management of hydraulic fracturing operations and help establish baseline environmental safeguards for these operations across all public and Indian lands. In August 2014, DOI sent its final rulemaking package to the Office of Management and Budget (OMB). GAO released a report in June 2014[6] indicating that existing regulations do not protect against contamination that could occur after earthquakes, which is increasingly a concern at injection wells and fracking sites in Ohio and the West (as seismic activity may increase following hydraulic fracturing). As pressure increases to use Federal and Indian lands, DOI must take appropriate steps to ensure that environmental concerns are adequately addressed and appropriately monitored.

[6] GAO Report GAO-14-555: "EPA Program to Protect Underground Sources from Injection of Fluids Associated with Oil and Gas Production Needs Improvement." Published June 27, 2014.

Climate Change

In its 2014 Strategic Plan,[7] GAO identified climate change as an emerging area of potentially high risk. Climate change risks to environmental and economic systems—including agriculture, infrastructure, ecosystems, and human health—present a significant issue for the United States.

DOI's responsibilities for management of lands, waters, and wildlife provide firsthand experience of the impacts of a rapidly changing climate. Impacts observed by Federal resource managers include drought, severe flooding, increased fire seasons, interrupted pollination of crops, changes in wildlife and prey behavior, warmer rivers and streams, and rise in sea level. The scope and magnitude of the effects of climate change, combined with the difficulty in developing response strategies, have continued to pose significant management challenges. The lands and resources managed by DOI face increasingly complex and widespread environmental challenges associated with climate change.

Climate change is a complex, cross-cutting issue that affects virtually every facet of DOI. Secretarial Order No. 3289 (issued in 2009 by then-Secretary Salazar) established a Department-wide approach to understanding climate change and responding effectively to its impacts on our country's natural resources and public and tribal lands.

Summary of OIG Work

FY 2014 projects under climate change included review of Climate Science Center grants management and sustainable-buildings goals.

Climate Science Center Grants Management

Climate Science Centers (CSCs) and Landscape Conservation Cooperatives (LCCs) form the cornerstone of DOI's climate-change-response strategy established under Secretarial Order No. 3289. DOI has established and uses 8 CSCs and 22 LCCs as vehicles through which to address climate change and other ecological stresses.

In FY 2014, OIG began an audit of grants management at the U.S. Geological Survey's (USGS) CSCs. Pursuant to Secretarial Order No. 3289 and the Consolidated Appropriations Act of 2008 (Pub. L. No. 110-161), CSCs are regional partnerships that seek to provide climate change impact data and analysis geared to the needs of fish and wildlife managers. USGS uses grant and cooperative agreement money to fund hosting agreements, staff, and climate-focused scientific research.

[7] GAO Report GAO-14-1SP: "GAO Strategic Plan: Serving the Congress and the Nation 2014 – 2019." Published February 28, 2014.

Using findings from last year's audit of LCCs, OIG applied similar strategies in the CSC grants management review. Thus far, we have issued two Notices of Potential Findings and Recommendations, with which USGS has concurred. We anticipate completing the review by early FY 2015.

DOI's Sustainable-Buildings Initiative

In October 2009, the President issued Executive Order No. 13514, "Federal Leadership in Environmental, Energy, and Economic Performance," which identifies greenhouse gas reduction as a Federal priority and requires agencies to implement "high performance sustainable Federal building design, construction, operation and management, maintenance, and deconstruction." The Executive order specifically requires the head of each agency to ensure that at least 15 percent of the agency's existing buildings that are over 5,000 gross square feet meet 100 percent of an agreed-upon set of guiding principles by FY 2015.

OIG initiated a review of DOI's sustainable-buildings initiative to determine whether the Department has implemented sustainable-buildings principles for new, existing, and leased Federal buildings. During our review, we learned that DOI had implemented a two-phase strategy for assessing its properties and meeting the FY 2015 sustainable-buildings goal of 15 percent. DOI had already begun the first phase when the strategy was rejected by OMB because it did not capture the "spirit and intent" of Executive Order No. 13514. DOI never launched the second phase of the strategy. We also learned that DOI will be participating in a pilot program that will help agencies meet the goals of the initiative. Based on these circumstances, we elected to postpone our evaluation until the pilot program's methodologies are established and we can assess its impact.

OIG identified two areas that present challenges to DOI in meeting the intent of Executive Order No. 13514: (1) prohibitive costs associated with making DOI buildings green—an estimated total cost of $561 million for building assessments and upgrades, and (2) stringent guiding principles that do not accommodate the buildings in DOI's inventory—approximately 23 percent of DOI's properties are historical and cannot fully comply with the guiding principles for sustainable buildings. DOI has increased the sustainability of buildings in its inventory, however—for example, some buildings that were once only 40 percent sustainable are now 80, 90, or even 96 percent sustainable—yet these buildings are not considered part of the percentage of sustainable buildings because they do not meet 100 percent of the guiding principles' requirements.

Looking Ahead

Landscape Conservation Cooperatives

Threats posed by climate change do not affect isolated places or individual species, but entire landscapes and multiple resources simultaneously. One of the Secretary's priorities is building a greater understanding of ecological processes at the landscape level, and she has challenged the Department to work with partners to elevate this understanding nationally. The U.S. Fish and Wildlife Service

(FWS) has taken the lead to bring Federal agencies together with partners to undertake this task through LCCs.

FWS has worked with a diverse suite of partners to establish a national LCC network. LCCs address a full range of conservation challenges across the Nation as they work collaboratively with other Federal agencies, State agencies, tribes, industry, nongovernmental organizations (NGOs), academic institutions, and the conservation community at large. Without duplicating the effort of existing partnerships, LCCs promote efficient and effective targeting of Federal dollars to obtain and analyze the science necessary for FWS and its partners to develop landscape-scale conservation models protecting fish, wildlife, plants, and their habitats. This collaborative effort also enhances FWS' ability to collect information to improve or augment many of the Service's ongoing conservation efforts, such as endangered species recovery plans, national wildlife refuge comprehensive conservation plans, joint ventures, fish passage, and habitat restoration.

LCCs face two main efforts going forward. First, concerns that LCCs duplicate science effort or detract funding from long-established FWS programs (such as fish hatcheries, refuges, migratory birds, or State grants), present a decision-making challenge at several levels. Second, initial appropriations to DOI for the LCCs were made in FY 2010 and subsequently have decreased each year since FY 2012, making it difficult to develop and sustain conservation partnerships. To date, LCC funding has been zeroed out in the last three House budgets, including for FY 2015. This has caused LCC partners (other Federal agencies, States, tribes, and NGOs) to reconsider or delay their participation and commitment to contributing support.

Appalachian Regional Reforestation

Biological carbon storage—also known as carbon sequestration—is the process by which carbon dioxide (CO2) is removed from the atmosphere and stored as carbon in vegetation, soils, and sediment. Forests account for more than 80 percent of the estimated carbon sequestered in the Eastern United States annually, compared with other plant life like grasslands, according to the USGS National Biological Carbon Assessment.

Under the Surface Mining Control and Reclamation Act of 1977 (Pub. L. No. 95-87), mined land needs to be returned to the use it was capable of supporting before mining, or a higher or better use. Almost all of the land mined in Appalachia and much of the land mined in other naturally forested areas of the country was deforested at the time it was mined. An agricultural use of hayland and pasture is considered an equivalent land use, and therefore allowable under the law for reclamation in these regions. Operators have generally turned mined lands into hayland and pasture because the practice fits with regulators' desire to turn everything "green" as quickly as possible and fulfills the requirements of the law. While conversion to hayland and pasture is legal, it is not conducive to forest growth. Also, lands reclaimed as hayland and pasture sequester less CO_2 than forests, contribute to flooding, affect species dependent on forests for food and cover, and do not provide the temperature-moderating influence of forests.

To combat deforestation on reclaimed land, the Office of Surface Mining Reclamation and Enforcement participates in the Appalachian Regional Reforestation Initiative (ARRI), a coalition of groups (including citizens, the coal industry, and Federal and State government agencies) dedicated to restoring forests on coal-mined lands in the Eastern United States. Over time and with advanced planting techniques, ARRI should promote new hardwood growth on reclaimed lands that will transition mined land into carbon sinks (where CO_2 is stored), mitigating CO_2 in the atmosphere. Through this public-private partnership, successful reestablishment of hardwood forests will provide a renewable, sustainable multi-use resource that should create economic opportunities while enhancing the local and global environments. Since the start of ARRI in 2004, approximately 85 million trees have been planted and approximately 125,000 acres restored to forests on newly mined land.

Wildland Fire Suppression and Management

Over the past three decades, fire season lengths have increased by 60 – 80 days and annual acreage burned has more than doubled to over 7 million acres. In addition, growing housing development in forests has put more people and houses in harm's way and made firefighting efforts more expensive.

In 2014, the Administration's National Cohesive Wildland Fire Management Strategy—developed by Federal, State, tribal, and local community partners, and public stakeholders—outlined new approaches to coordinate and integrate efforts to restore and maintain healthy landscapes, prepare communities for fire season, and better address the Nation's wildland fire threats.

The strategy includes both national strategic planning and regionally specific assessment and risk analysis to address such factors as climate change, increasing community sprawl, and pests and diseases affecting forest health across landscapes, regardless of ownership. Approaches include adopting preventive measures, such as fuels thinning and controlled burns; promoting effective municipal, county, and State building and zoning codes and ordinances; ensuring that watersheds and transportation and utility corridors are part of future management plans; and determining how organizations can best work together to reduce and manage human-caused ignitions.

The impacts of a changing climate on wildland fire risk management are observable in the form of extended drought periods, longer fire seasons, timber stands that are susceptible to insect infestation and mortality, and greater rates of fire spread, all of which can contribute to larger and more complex and costly incidents. These impacts challenge the fire community to provide more annual coverage and response capability for a longer period of time, as well as maintain a high initial attack success rate on faster growing fires, all while managing incidents of unprecedented size and complexity.

With the passage of the Federal Land Assistance Management and Enhancement (FLAME) Act in 2009, both the Forest Service and DOI are required to produce forecasts of anticipated wildland fire suppression costs three times during each fiscal year (in March, May, and July). The forecast for September 2014 provides a median cost of $356 million. Drought conditions in the West, especially in California, combine with other factors to predict a dangerous fire season. Last year, 34 wildland firefighters died in the line of duty as fire burned 4.1 million acres and destroyed more than 1,000 homes across the country. If the fire season is as costly as the forecast predicts, the Forest Service and DOI will be forced to take funding out of other critical programs that increase the long-term resistance of national forests and public lands to wildfire. Both the U.S. Department of Agriculture and DOI have had to divert funds from other programs to fund firefighting efforts in 6 of the past 12 years. This financial balancing act is a major hindrance to departmental function.

Tribal Impact

Climate change threatens the culture and way of life of American Indian and Alaska Native tribes, potentially affecting tribal lands, housing, and infrastructure, as well as access to traditional foods and adequate water. Broadly, changing ecosystems and the loss of natural resources present a high risk for tribes' unique rights, cultures, and economies.

Because of the complexity of the climate-ecosystem relationship and limited applied research and/or management recommendations, trust land managers will need to stay abreast of climate adaptation research and best practices, and combine that with local knowledge and traditional ecological knowledge to create climate-resilient projects and landscapes. The Tribal Climate Resilience Program, announced in July 2014, is part of a new initiative to address the impacts of climate change already affecting tribal communities. The program will provide direct support through climate adaptation grants that will be awarded in four categories: development and delivery of climate adaptation training; adaptation planning, vulnerability assessments, and monitoring; capacity-building through travel support for climate change training, technical sessions, and cooperative management forums; and travel support for participation in ocean and coastal planning.

The Bureau of Indian Affairs (BIA) received a funding spike in FY 2014 from $1 million to $8 million for climate impact planning, and $2 million for ocean and coastal management planning. A potential tenfold increase in funding presents new challenges, ranging from acquisition and grant management issues and fraud prevention to duplication of scientific effort. BIA must prioritize financial oversight for these appropriations to ensure proper allocation of resources.

Budget and Management Concerns

The continuing dilemma of uncertain budget timing, plus declining Federal budgets and nonmonetary resources, will challenge DOI to make tough choices about priority issues. Climate change is a new priority that has not traditionally been part of most DOI line items, but is affecting a remarkable variety of Department responsibilities now and into the future. As such, building climate-related expertise and taking action to mitigate and adapt to climate change will have to compete with existing priorities for resources.

DOI oversees 20 percent of the Nation's lands. Climate change does not affect each region equally, according to the 2014 Risky Business Report[8]; for example, as weather patterns change across the country, some lands will experience sea-level rise, and others will see sea level fall. Some lands will see a reduction in precipitation; others will see more intense storms. Given this diversity of change, an informed, multifaceted approach is required to manage DOI lands effectively.

A warming climate requires proactive management. DOI must consider that the environment of 2015 will not be the environment of 2050. Land maintenance, buildings, and roads standards must envision a future of higher energy demand and chaotic weather that will occur on a more frequent basis, and the related impacts of such weather on DOI investments. On lands with outdoor recreation, new standards of informing the public about heat risks should be considered, as many areas of the country are likely to experience a significant spike in extremely hot days (over 95 °F).

For bureaus that manage extensive natural resources and facilities, climate change is complicating decision making about operations, maintenance, and public access, by adding new uncertainties to existing mandates and constraints. Regional data, tools, and coordination with climate scientists will be necessary to help DOI's land managers incorporate climate change into their planning processes. DOI should also develop approaches to information management and sharing that ensure that all climate data and information are widely available to all bureaus. Finally, DOI should continue to highlight climate activities that affect natural resources in a context that is relevant to stakeholders and other DOI constituencies.

DOI continues to face the challenge of providing relevant scientific information to land, water, and wildlife managers on a regular basis. DOI also must continue to work effectively and efficiently across landscapes and watersheds with other Federal agencies, States, local and tribal governments, and private partners to

[8] "Risky Business: The Economic Risks of Climate Change in the United States" (http://riskybusiness.org/) uses a standard risk-assessment approach to determine the range of potential consequences for each region of the country—as well as for selected sectors of the economy—if we continue on our current path. The research focused on the clearest and most economically significant of these risks: damage to coastal property and infrastructure from rising sea levels and increased storm surge, climate-driven changes in agricultural production and energy demand, and the impact of higher temperatures on labor productivity and public health.

formulate shared understandings and common strategies for land and resource managers to adapt to the challenges and ensure the resilience of our Nation's resources. In doing so, DOI must ensure that taxpayer dollars are wisely spent and closely monitored to confirm that funds are used appropriately. While DOI climate change activities are funded at the bureau level, the tracking of how these dollars are being spent remains a decentralized activity.

Maintaining consistent engagement across all bureaus in DOI climate change activities remains a continual challenge, given the highly decentralized nature of many of the bureaus. Coordination of the numerous climate activities across DOI will take an investment in mechanisms to ensure that bureaus continue to avoid duplication of effort and are sharing scientific resources in planning and decision making. DOI should continue to engage the bureaus at both executive and staff levels to ensure that current climate planning is coordinated and implementation of science, monitoring, and management activities is consistent across bureaus.

Water Programs

DOI is the largest supplier and manager of water in the 17 Western States and delivers irrigation to 31 million people, 1 out of every 5 Western farmers, and 10 million acres of farmland. Adequate water supplies are an essential element in human survival, ecosystem health, energy production, and economic sustainability.

The Bureau of Reclamation (USBR) plays a crucial role in helping the Nation manage and sustain the current supply of fresh water in rivers, lakes, aquifers, and other sources and preserve a healthy ecosystem to ensure the future supply. USBR has constructed more than 600 dams and reservoirs. It is the largest wholesaler of water in the country and is the second largest producer of hydroelectric power in the Western United States. Its 53 power plants provide more than 40 billion kilowatt hours annually, generating nearly a billion dollars in power revenues, and produce enough electricity to serve 3.5 million homes.

Summary of OIG Work

FY 2014 projects related to water management examined several financial assistance programs associated with the WaterSMART program.

Sustainable Water Management Programs and Activities

USBR's WaterSMART (Sustain and Manage America's Resources for Tomorrow) Program provides scientific knowledge and financial support to help water management agencies efficiently balance current water supplies with the demand to develop new ones. USBR is DOI's main water management agency, and the WaterSMART Program is USBR's primary method for meeting the Department's priority goal for water conservation.

We evaluated three financial assistance programs under the WaterSMART Program: Water and Energy Efficiency Grants, Water Conservation Field Service Program grants, and cooperative agreements under the Title XVI Water Reclamation and Reuse program. We found that, overall, USBR manages these financial assistance programs well, but that it should take additional steps to improve management of WaterSMART to ensure transparency and fairness in its financial assistance programs. We offered six recommendations that will help USBR improve its management of the program.

Looking Ahead

Aging Infrastructure and Workforce

In an era of reduced budgets, financing repairs to aging infrastructure may well be one of the most critical risks involved in the procurement and management of water within the next 5 years. Similar to what the energy field is experiencing and what the Government Accountability Office (GAO) noted for oil and gas management, DOI is also facing an aging water workforce, with projected losses in both managerial and water plant worker positions. Losses in the workforce will also result in losses in corporate knowledge and experience that DOI will need to address in order to mitigate negative impacts. Not unlike the private sector, DOI will face challenges from aging facilities and infrastructure. Recent studies suggest that approximately $100 – $300 million will be needed to modernize and upgrade water facilities and related infrastructures across both the public and private sectors.[9] Deferring maintenance on an aging infrastructure will increase the probability of negative impacts and only contribute further to the rising cost of repairs.

An aging workforce and infrastructure, combined with U.S. population growth and regional migration to the Southwest, will continue to be significant challenges for DOI with regard to managing water issues. The Consolidated Appropriations Act of 2014 provides USBR with $954 million for its Water and Related Resources operating account. Congress included $44.289 million in additional funds above the budget request for Water and Related Resources studies, projects, and activities, including funding for rural water construction; facilities operation, maintenance, and rehabilitation; water conservation and delivery; and environmental restoration and compliance.

Depletion of Groundwater Resources

A recent study funded by the National Aeronautics and Space Administration and the University of California[10] has concluded that groundwater losses from the Colorado River basin alone appear massive enough to challenge long-term water supplies for the Southwest region of the United States. Since 2004 the Colorado River basin has lost 53 million acre-feet, or 17 trillion gallons of water. This combined with a 127 percent increase in water use has further decreased water availability. DOI needs to be prepared to mitigate the negative consequences associated with the expansion of water needs, particularly in the Western States.

Impaired Water Quality Associated With Particular Land Uses

More than 50 percent of the people in the United States use groundwater for drinking and other household uses; however, the largest use of groundwater is to irrigate crops. Groundwater is “recharged” from rain water and snowmelt or from water that leaks through the bottom of some lakes and rivers. Groundwater also can be recharged when water-supply systems (pipelines and canals) leak and when crops are irrigated with more water than the plants can use.

The demands for water for use in crop irrigation and to meet the needs of growing cities and communities, energy production, and the environment will likely continue to grow. An increasing sense of competition for limited water resources

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[9] WeiserMazars LLP, “2014 U.S. Water Industry Outlook,” http://weisermazars.com/2014WaterOutlook

[10] Castle, Thomas, Reager, Rodell, Swenson, & Famiglietti. (2014). Groundwater Depletion During Drought Threatens Future Water Security of the Colorado River Basin. *Geophysical Research Letters,* 41.

makes it apparent that there is a need for information and decision support tools to aid both water and land managers. Regions such as the West and Southeast will likely continue to face the possibility of increasing vulnerability to drought. Consequently, traditional water management approaches by themselves will no longer meet today's needs, and DOI will need to be progressive in its approach to mitigate the impacts of impaired water quality associated with surface contamination due to agricultural runoff or to energy production through oil and gas extraction.

Responsibility to American Indians and Insular Areas

The Department's mission includes fulfilling trust responsibilities and special commitments to American Indians, Alaska Natives, and affiliated island communities.

Responsibility to American Indians is consistently a top management challenge for DOI. Through BIA and the Bureau of Indian Education (BIE), DOI works with more than 500 federally recognized Indian tribes, has trust responsibilities for more than 100 million surface and subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 40,000 Indian children in tribal schools and dormitories. Some of the Indian Country programs managed by DOI include Indian Trust for Lands and Funds, Social Services, and Justice Services.

Regarding the Insular Areas, DOI has administrative responsibility for coordinating Federal policy in the territories of American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the U.S. Virgin Islands. DOI also administers and oversees Federal assistance provided under the Compacts of Free Association for three sovereign nations: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. DOI coordinates with the U.S. Department of State and other Federal agencies to promote economic development and budgetary self-reliance in these nations.

DOI manages its responsibility to the Insular Areas primarily 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. OIA annually funds Insular Area government programs that focus on education, health care, and infrastructure improvement.

Summary of OIG Work—Indian Affairs

FY 2014 projects related to Indian affairs included examination of property leasing, recordkeeping, education services, and investigations that involve Indian Country.

Real Property Leases

OIG conducted an inspection of BIA's leasing program after the General Services Administration's (GSA) Public Buildings Service found that the Bureau had not followed GSA's leasing requirements; it had leased property without approval and exceeded square footage limits. GSA informed BIA that it could not exercise its delegation of authority until the Bureau submitted a corrective action plan approved by GSA.

Our inspection confirmed GSA's findings. OIG sampled 14 BIA leases identified in the GSA report and found issues with all of them. We found that BIA had not followed GSA's leasing requirements and that BIA had approved more than $32.7 million in lease agreements that exceeded GSA square footage and purchase approval limits. Also, BIA's inability to accurately report all lease data back to GSA made it impossible for GSA to analyze post-lease performance data for the BIA leases we reviewed. These issues resulted from noncompliance with GSA guidelines, as well as insufficient BIA guidance and inadequate training. We provided three recommendations to help BIA resolve this issue by complying with GSA guidance, updating its own policies, and developing appropriate training.

Records Management

An inspection of three BIA agency offices found recordkeeping practices for oil and gas documents and files at two of them (the Southern Ute and Fort Berthold Agencies) to be flawed. OIG reviewed recordkeeping practices at the Southern Ute, Fort Berthold, and Uintah & Ouray Agencies. The three agencies were selected because of their locations, intensive oil and gas development, and large numbers of application for permit to drill (APD) submissions. We identified no records management issues at the Uintah & Ouray Agency.

Royalty payments for oil and gas produced from Indian lands are held in trust, invested, and disbursed at the direction of the applicable tribe or individual mineral owner. To ensure that royalties are correctly paid, BIA agency offices must maintain an accurate system of property records showing the location and owner of each oil and gas lease, individual well data, and rights-of-way. We made three recommendations to BIA to help improve recordkeeping at BIA agency offices.

Indian Education

BIE's mission is to provide quality education opportunities from early childhood through life in accordance with a tribe's needs for cultural and economic well-being, in keeping with the wide diversity of Indian tribes and Alaska Native villages as distinct cultural and governmental entities. More than 180 schools in 23 States are either operated directly by BIE or receive BIE program funds.

OIG is currently reviewing a selection of Indian schools across the country, looking at three main areas: (1) prevention of school violence; (2) condition of school facilities; and (3) academic achievement. We are following up on the findings of our prior work in the prevention of school violence, published in 2008 and 2010, by looking at physical security, emergency preparedness, and related training. We are also examining school facilities to assess current conditions and to review BIA's, BIE's, and tribes' ability to assure a physical environment that is safe and conducive to learning. Finally, we are reviewing academic achievement and how it is evaluated in Indian Country, driven by concerns over low graduation rates and a reported "achievement gap" as compared with students at public schools generally.

Bureau of Indian Affairs Investigations

Approximately one-fifth of OIG investigations involve Indian Country. These investigations regularly revealed that DOI-funded programs and operations in Indian Country are extremely susceptible to fraud, waste, mismanagement, and abuse due to nepotism, unqualified employees, failure to follow policies and procedures, lack of internal controls, lack of transparency, lack of oversight, and fear of reprisal for reporting wrongdoing. The aforementioned have been challenges to Indian Country in the past and are expected to continue as challenges into the future.

Past OIG investigations have led to indictments for bribery, fraud, and other charges related to misuse of Federal funds meant for Indian education and other tribal programs. For example, one past OIG investigation showed that even though BIA quit providing funds directly to South Dakota's Crow Creek Sioux Tribe because it was classified as high risk, tribal council members (who also served on the Crow Creek Tribal School's school board) participated in a scheme through which a contractor paid them thousands of dollars in bribes to secure tribal business. The tribe received several million dollars annually from BIE for educational programs and operations and additional funds from BIA for school facility construction projects. When it was discovered that the tribe's chairman assisted OIG as an informant in the case, other council members retaliated against the chairman and suspended him from all of his official duties.

Recently, an innovative investigative approach called the Guardians Project, led by OIG's Office of Investigations and Montana's U.S. Attorney's Office, with substantial assistance provided by OIG's Office of Audits, Inspections, and Evaluations, led to numerous indictments and convictions in Indian Country. As one example outcome, the project has resulted in the prosecution of a former State representative, a tribal leader, and others involved in siphoning off funds from a $33 million water project on Montana's Rocky Boy Indian Reservation.

In both cases cited above, OIG initiated and/or successfully completed suspension and debarment action against the offending tribal officials and contractors.

Looking Ahead—Indian Affairs

Land Buy-Back Program

Across Indian Country, more than 245,000 owners of 3 million fractionated interests, spanning about 150 Indian reservations, are eligible to participate in the Land Buy-Back Program. The program was created to implement the land consolidation component of the Cobell Settlement, which provided $1.9 billion to consolidate fractionated land interests across Indian Country. Land fractionation is a serious problem throughout Indian Country. As lands are passed down through generations, they gain more owners. Many tracts now have hundreds and even thousands of individual owners. Because obtaining landowner consensus is difficult, the lands often lie idle and cannot be used for any beneficial purpose. Managing this tremendously complex situation is costly for DOI and can be frustrating for individual owners, who may consider their ownership proportions so diminished as to be worthless.

To date, the Land Buy-Back Program has made more than 41,000 purchase offers to owners of fractionated interests, successfully concluded transactions worth more than $144 million, and restored the equivalent of more than 280,000 acres of land to tribal ownership. As part of the settlement, the Land Buy-Back Program continues to contribute to the Cobell Education Scholarship Fund, managed by the American Indian College Fund. Contributions to the scholarship fund have so far exceeded $4 million.

DOI recently announced 21 locations where land consolidation activities such as planning, outreach, mapping, mineral evaluations, appraisals, or acquisitions are expected to take place through the end of 2015. These communities represent more than half of all the fractional interests and unique owners across Indian Country.

Indian Education

In June 2014, the Secretary issued Secretarial Order No. 3334 to transform BIE and to ensure that all students attending BIE-funded schools receive a world-class education that is delivered to them by tribes.

BIE faces significant challenges in providing quality education, including attracting effective teachers to BIE schools in remote locations, complying with academic standards in 23 different States, resource constraints, and distribution of administrative and decision-making duties across multiple locations. The American Indian Education Study Group, convened in 2013 to diagnose the systemic issues within BIE-funded schools, found that only 1 out of 4 BIE-funded schools met the State-defined proficiency standards, and that students in BIE schools consistently perform below American Indian students in public schools on national and State assessments. In one study of fourth graders, BIE students on average scored 22 points lower for reading and 14 points lower for math than Indian students attending public schools.

The American Indian Education Study Group also concluded that significant organizational changes are necessary to provide tribal communities with the resources and support needed to operate high-performing schools and to remove institutional obstacles that hamper student achievement. Federal American Indian education has been handed over to tribes in approximately two-thirds of BIE schools; however, BIE has not been adequately restructured to implement its new primary role in supporting tribal programs. As tribes move away from having BIE operate their schools and begin to assume that responsibility, BIE has spent a significant amount of time using its infrastructure to absorb the shifts in work responsibilities.

Secretarial Order No. 3334 outlines a two-phase process to restructure and redesign BIE over the 2014 – 2015 and 2015 – 2016 school years. Vital to long-term success in BIE's education programs are strong communities and access to adequate social services. In its work, BIE must consider the spiritual, mental, physical, and cultural aspects of the individual within his or her family and tribal or village context. Many Indian students served by BIE come from remotely located, rural communities characterized by poorly developed local economies, high rates of unemployment, and low incomes. Additionally, many of the communities served by BIE schools exhibit above-average rates of crime, households where English is a second language, and below-average literacy rates. As a consequence of these community and home environments, many students enter school with inadequate skill sets. Social services are provided, or funded by, BIA; and a strong partnership between BIE, BIA, and others is necessary for many students to overcome personal and family difficulties and get the most benefit from the educational opportunities afforded them.

Infrastructure Projects for Sustainable Water Supply

DOI is taking steps to address the water needs of American Indians relying on a rapidly depleting groundwater supply. In April 2014, DOI announced that USBR had awarded a $19.6 million construction contract to build the Tohlakai Pumping Plant, the first pumping plant for the Navajo-Gallup Water Supply Project. This project is the cornerstone of the historic Navajo Nation Water Rights Settlement Agreement in the San Juan River Basin in New Mexico, signed by DOI, the Navajo Nation, and the State of New Mexico in December 2010, representing a significant milestone in fulfilling long-outstanding water rights claims of the Navajo Nation while protecting existing water uses and providing for future growth. Project participants also include the Jicarilla Apache Nation, the City of Gallup, BIA, and the Indian Health Service.

Impact of Climate Change

Tribal communities are vulnerable to the impacts of climate change, including severe droughts, floods, wildfires, and snowstorms. Federal agencies recently assisted the Quinault Indian Nation, whose Lower Village seawall was breached by a storm surge, and the Quileute Nation, which had to relocate to higher ground to move out of a tsunami zone.

BIA funded 19 climate change tribal grants in FY 2013 for cooperative vulnerability assessments of culturally and economically important Northwest fish and wildlife. Direct tribal funding for climate impact planning in FY 2014 has increased to $8 million and includes new programs in cooperative tribal ocean and coastal planning efforts.

Collaborative Strategies for Improved Services

Using innovative and collaborative strategies such as those noted above, plus proactive steps such as fraud awareness briefings for our customers and in conjunction with traditional auditing, evaluating, and investigating, can have positive impact on the future of Indian Country. American Indians would receive improved services, whether delivered by DOI or tribes, and students enrolled in BIE schools would receive a strong education that allows them to develop the knowledge, skills, and abilities that will prepare them for their future as employees, community members, parents, and leaders in Indian Country.

Summary of OIG Work—Insular Areas

FY 2014 projects related to Insular Areas included review of programs in the U.S. Virgin Islands and Guam.

U.S. Virgin Islands' Department of Human Services

In June 2014 we published results of a review conducted in conjunction with the U.S. Department of Health and Human Services (HHS) to determine whether the U.S. Virgin Islands' Department of Human Services (DHS) ensured that the neediest children received priority when filling Head Start enrollment slots. (The joint review was ideal because DOI has cognizance over Federal funds expended in the Virgin Islands and HHS has experience auditing Head Start programs.) Children are automatically eligible for enrollment in the Head Start program if they are homeless, in foster care, or a recipient of public assistance. Grantees are required to fill 10 percent of their funded enrollment with children with disabilities who need special education and related services. Remaining slots are filled with children who are eligible based on their family's income and who have been determined to have the greatest need for services based on criteria established by each grantee.

DHS provides Head Start services at 24 centers located on the islands of St. Thomas, St. Croix, and St. John. We could not determine whether the neediest children in the Virgin Islands received priority when DHS filled Head Start enrollment slots because DHS (1) entered inaccurate information in the computer system that it uses to calculate children's financial eligibility, (2) did not retain documents used to determine whether enrollees were categorically eligible, and (3) did not meet the required enrollment level for children with disabilities. We made three recommendations to help DHS ensure that the neediest children receive priority when filling Head Start enrollment slots.

Guam Business Privilege Tax

The Government of Guam's (GovGuam) Department of Revenue and Taxation (DRT) collects tax revenues, which account for more than half of GovGuam's revenue sources. The business privilege tax (BPT) applies to all persons or contractors on Guam, as well as contractors not located on the island but who conduct business there, and constitutes about a third of Guam's annual tax revenue. The U.S. Department of Defense (DOD) awards hundreds of contracts per year for projects on Guam. With the impending relocation to the island of more than 6,000 U.S. Marines and their dependents, the number of these contracts may grow to build the infrastructure necessary to accommodate the increased U.S. military presence.

We evaluated DRT to determine whether it has a process in place for identifying and collecting BPT from businesses that have contracts with the Federal Government, including with DOD for U.S. military projects on Guam. We found that DRT has an inadequate procedure for identifying contractors subject to the BPT and for collecting those taxes, and also uses an incomplete list of Federal contractors when identifying those subject to BPT. Further, DRT does not follow through with established processes to verify the amount of taxes due and to collect accordingly. We have reported on GovGuam's inability to collect taxes in the past, and we have found that deficiencies at DRT persist. We provided three recommendations to help improve DRT's operations.

GovGuam currently operates with an annual fiscal deficit and owes more than $1 billion in long-term debt. While FYs 2011 and 2012 have seen an increase in overall total revenue collected for the general fund, GovGuam needs to collect all taxes to be financially stable to provide programs and services to its constituents.

Guam Memorial Hospital

Access to quality medical and health care services is important for the well-being of Guam's residents. Currently, the Guam Memorial Hospital Authority (GMHA) operates the only public hospital on Guam. We evaluated GMHA's ability to provide medical care to the people of Guam and prepare for a potential increase in population, due in part to the upcoming U.S. military buildup on the island.

We found that GMHA's negative cash flow is not sufficient and its reimbursement rates and fee schedules are out of date. GMHA's financial situation may jeopardize future medical needs of the citizens of Guam. Unless GMHA can generate enough revenue, collect appropriate fees, and secure adequate revenue sources to cover costs for the care of uninsured patients, it will not be able to sustain the level of services it currently provides or prepare for future population growth. GMHA's funding challenges also make it difficult to develop and maintain the infrastructure necessary to provide medical services. We made eight recommendations to help improve GMHA operations to increase quality of medical services and patient safety for the people of Guam.

GMHA is in a fiscal crisis. Unless additional actions are taken to collect needed revenue and secure funding sources for GMHA, the quality of health care services for the people of Guam will be at risk.

Looking Ahead—Insular Areas

Capacity-Building for Public Accountability

Each Insular Area government has an Office of the Public Auditor (OPA) or equivalent entity that helps assure the integrity of government operations and spending. OIG works to enhance the capabilities of OPA staff through training and technical assistance. These capacity-building efforts are made possible with funding from OIA. Training topics are tailored to the needs of each supported jurisdiction, and have included government finance and accounting; risk and internal controls; procurement data sources; evidence processing; trial preparation; and other audit and investigative issues. Together with other programs supported by OIA, our capacity-building activities will continue to foster local ability to assure public accountability throughout the Insular Areas.

Detecting Fraud, Waste, and Mismanagement

Through our liaison work with OPAs, we find that federally funded programs remain vulnerable largely as a result of weak procurement systems and poor integrity in local government personnel. Insular Area governments continue to possess insufficient resources to adequately prevent and detect fraud, waste, or mismanagement involving federally and locally funded programs. OPAs face challenges in competing for and retaining qualified audit and investigative staff largely due to insufficient budgets.

In an effort to build capacity, we continue our partnership with OIA to deliver audit and investigation training and technical assistance to the Federated States of Micronesia, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Mariana Islands. OPAs have a limited travel budget. Delivering the training to them onsite affords them much-needed technical skills and continuing professional education credits. We find that such assistance is mutually beneficial as OPAs help oversee the financial and program resources and activities of their governments and the integrity of the financial assistance provided by the United States.

Information Technology

As computer technology has advanced, Federal agencies and our Nation's critical infrastructures—such as power distribution, water supply, telecommunications, and emergency services—have become increasingly dependent on computerized information systems and electronic data to carry out operations and to process, maintain, and report essential information. The security of these systems and data is essential to protect national and economic security, as well as public health and safety. Safeguarding Federal information technology (IT) systems and the systems that support critical infrastructures (referred to as cyber critical infrastructure protection, or cyber CIP) is a continuing concern. Federal information security has been on GAO's High-Risk List since 1997; in 2003, GAO expanded the listing to include cyber CIP. Risks to information and communication systems include insider threats from disaffected or careless employees and business partners, escalating and emerging threats from around the globe, the ease of obtaining and using hacking tools, the steady advance in the sophistication of attack technology, and the emergence of new and more destructive attacks.

DOI relies on complex, interconnected information systems to carry out its daily operations. Specifically, DOI spends about $1 billion annually on its portfolio of IT assets, which support programs that protect and manage our Nation's natural resources and cultural heritage; provide scientific and other information to the public about those resources; and meet the Department's responsibilities to American Indians, Alaska Natives, and affiliated Insular Areas.

Because of the critical role IT plays at DOI, in FY 2014 OIG established a new office to conduct audits, evaluations, and inspections of Department IT programs, initiatives, and related investments. In FY 2014 and beyond, this new office will conduct a range of IT projects, such as evaluating DOI's security practices for protecting mission-critical IT assets, assessing DOI's cloud-computing initiatives, and determining whether the Department's IT governance model results in effective use of taxpayer resources and promotes sound IT security practices.

Summary of OIG Work

FY 2014 projects related to IT programs and resources examined DOI web hosting and IT systems at USBR-controlled dam sites.

DOI Web Hosting Services

In early January 2014, the DOI and OIG websites experienced an extended outage of 7 days. These websites, which are hosted by the National Park Service (NPS), provide critical information to the general public, and their availability contributes to the missions of both DOI and OIG. We initiated an inspection to determine the cause of the outage and to identify whether the length of the recovery was appropriate. We found multiple reasons and deficiencies that contributed to the outage, including (1) no written agreements between NPS, DOI, and OIG describing the roles and responsibilities of each entity with regard to web hosting and contingency planning; (2) NPS information systems that had not been properly authorized to operate, were outdated, or were missing security documentation; and (3) noncompliance with contingency planning and testing requirements. At the time of the outage, OIG did not know that NPS hosted either the DOI or OIG website.

We offered 14 recommendations in total (5 to DOI and 9 to NPS), focusing on establishing an oversight process, assessing system risk, maintaining accurate and up-to-date documentation and contingency plans, and documenting service level agreements that assign roles and responsibilities to all entities involved in web hosting services.

Security at USBR Dams

Critical infrastructure and cyber systems increasingly rely on IT for essential operations, making the protection of infrastructure from cyber threats a top priority. In the past, information about the cyber element of critical infrastructure was not widely known and thus helped protect the infrastructure. This anonymity is disappearing, however, as Internet connectivity increases throughout the United States and around the globe.

In FY 2014 OIG issued reports from several IT-related reviews of USBR-controlled dam sites. These revolved around what is known as a SCADA system, which operates and monitors dam IT, ranging from simple temperature sensors to automated controls for generators and gate functions. Our objective was to assess the security posture for the SCADA system based on recent warnings from the U.S. Department of Homeland Security.

OIG's findings revealed a host of IT-related security problems at some dams, including software support, network connectivity, mobile media safeguards, intrusion detection systems, inadequate antivirus architecture, unimplemented automated continuous monitoring platforms, unimplemented vulnerability scanning, and, finally, failure to address weaknesses identified in prior OIG reviews. OIG issued a combined 12 recommendations to correct the observed IT security weaknesses, noting needed improvements in infrastructure, software, and implementation

At several other dams, OIG was pleased with the IT security presence within the structures and had no findings or recommendations to offer.

Looking Ahead

Security Practices

The Federal Information Security Management Act of 2002 (FISMA) requires agencies to develop policies and procedures commensurate with the risk and magnitude of harm resulting from the malicious or unintentional impairment of agency IT assets. To satisfy annual reporting requirements, agencies expend large amounts of money and resources to document compliance with the 11 FISMA reporting areas. An agency's FISMA score (its compliance rate) has been found to be unrelated to whether its IT assets are adequately protected from attack.

More recent FISMA guidance has shifted the focus of agency oversight from periodic assessments and compliance reporting to using tools and techniques to conduct ongoing monitoring of IT security controls. A well-designed and well-managed continuous monitoring program can transform an otherwise static security control assessment and risk determination process into a dynamic process that provides essential information about a system's security status on a real-time basis. This, in turn, enables officials to take timely risk mitigation actions and make risk-based decisions regarding the operation of their IT systems.

As part of our audit work, we learned that DOI does not have an IT security program that fully meets FISMA requirements for vulnerability, threat, and incident management as recommended by the National Institute of Standards and Technology (NIST). Moreover, DOI's efforts to implement a continuous monitoring capability have not been fully realized due to insufficient resources. In May 2014, we initiated an audit to evaluate DOI's continuous IT security control monitoring practices at three major bureaus (the U.S. Geological Survey, Bureau of Safety and Environmental Enforcement, and Bureau of Reclamation).

Cloud Computing

Cloud computing is a model for enabling convenient, on-demand, network access to a shared pool of computing resources, such as computer servers, storage, software applications, and web services, that can be provisioned and released with minimal management effort or service provider interactions. In other words, in a cloud-computing environment, IT resources are available as needed through a pay-as-you-go business model.

To accelerate the Federal Government's use of cloud-computing strategies, the Office of Management and Budget (OMB) requires agencies to adopt a "Cloud First" policy when contemplating IT purchases and to evaluate secure, reliable, and cost-effective cloud-computing alternatives when making IT investments.[11] Cloud computing offers the Department the potential for significant cost savings through faster deployment of computing resources, a decreased need to buy hardware or build data centers, and enhanced collaboration capabilities.

According to NIST, assessing and managing risk when putting a Federal agency's systems and data into a public cloud poses a challenge because the computing environment is under the control of the cloud provider rather than the agency. Thus, effectively managing the delivery of public cloud-computing services requires agencies to develop contracts that address business and IT security risks,

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[11] Office of the U.S. Federal Chief Information Officer, "25 Point Implementation Plan to Reform Federal Information Technology Management." Published December 2010.

as well as properly define and provide mechanisms to monitor agency and cloud provider responsibilities.

At the end of 2013, the Office of the Chief Information Officer (OCIO) created a cloud-computing project management office and established a cloud services contract to help bureaus satisfy OMB's "Cloud First" directive. We are conducting an audit of DOI's cloud-computing initiatives to determine whether selected DOI contracts for cloud-computing services incorporated best practices for mitigating key business and IT security risks associated with moving the Department's systems and data into a public cloud-computing environment.

Governance

An IT governance reform effort has been underway at DOI since January 2011 to align IT investments with business and mission outcomes. IT governance is a process for designing, procuring, and protecting IT resources.

Because IT is intrinsic and pervasive throughout DOI, the Department's IT governance structure directly affects its ability to attain its strategic goals. Effective IT governance must balance compliance, cost, risk, security, and mission success to meet the needs of internal and external stakeholders.

Federal regulations and policy require that the Chief Information Officer (CIO) have the authority to terminate underperforming IT investments or shut down systems that pose a significant risk to the enterprise. Achieving these outcomes will require sustained improvements in DOI's overarching IT management practices and governance model. For example, although DOI leadership supports the changes necessary for transformation success, management buy-in at the bureau and office levels is a crucial component to achieve full consolidation and address the challenges of IT infrastructure, security, resource management, and governance. The commitment and cooperation of all DOI stakeholders are essential for these efforts to be successful. In a future audit we will assess whether DOI's IT governance model results in the effective use of funds and promotes sound IT security practices.

IT Transformation

IT supports every facet of DOI's diverse missions. In December 2010, Secretarial Order No. 3309 directed DOI's CIO to assume oversight, management, ownership, and control of all IT infrastructure assets, thus centralizing the Department's IT infrastructure and compliance functions. In January 2011, DOI launched its IT Transformation initiative, a multiyear effort to significantly improve the cost effectiveness of IT functions as well as shift from commodity-based technology management to service-based management. DOI has established goals for IT infrastructure consolidation that—

- promote green IT by reducing overall energy consumption (improve IT and real estate utilization);

- reduce the cost of data center hardware, software, and operations;
- increase the overall security posture for the Government; and
- shift IT investments to more efficient platforms and technologies.

Three years after its launch of the DOI Information Resources Management Strategic Plan, the Department is only halfway through its transformation goal, with centralized consolidated email through Google being a notable achievement. OIG believes that more support is needed from the bureaus to implement the changes necessary to complete the process. In a Department that contributes an estimated $371 billion in economic activity to both public and private industry with varying degrees of IT capability, it is critical that DOI continue to invest in modernizing its IT functions and encourage bureau support.

Disaster Response

Disaster management—preparation, response, recovery, and mitigation—can be costly, and typically involves the efforts of multiple Federal agencies, multiple levels of government, and the private and nonprofit sectors.

DOI has the responsibility to provide for quick response, public safety, and protection of natural resources during emergencies, as well as supporting tribal and Insular Area communities. DOI is also a full partner in both the National Response Framework and the National Recovery Framework, and contributes to interagency plans supporting State, tribal, and local communities.
The destruction caused by Super Storm Sandy in October 2012 and the extensive rebuilding effort in New York and New Jersey that followed provide a jarring reminder of how sudden and devastating natural disasters and related events can be. Super Storm Sandy damaged hundreds of thousands of homes, forced tens of thousands of survivors into shelters, and caused billions of dollars in damage to vital infrastructure systems, including power transmission, transportation and water and sewage treatment facilities. As a direct result of the storm, 73 people in the United States lost their lives.

In the wake of Super Storm Sandy, DOI received $787 million to support storm relief and recovery efforts. To date, DOI has awarded $745 million in the form of contracts and financial assistance (grants and cooperative agreements) for emergency response, recovery, and mitigation purposes.

Summary of OIG Work

FY 2014 projects related to disaster response (specifically for Super Storm Sandy) identified high-risk issues associated with contract oversight, pre-award processes, and post-award monitoring.

Identifying High-Risk Issues and Practices

To help ensure that emergency funds are expended appropriately, OIG has coordinated an intra-office team effort and actively monitored Super Storm Sandy spending through outreach, data analysis, and audit and investigative support.
As a result, we have conducted 34 Super Storm Sandy-specific fraud awareness briefings, reaching more than 436 Department personnel, State officials, contractors, subcontractors, and grantees.

Our continued audits of contractors and subcontractors receiving Super Storm Sandy funds have identified high-risk issues and practices for emergency contracts related to disaster response. Contract oversight was found to be inadequate with regard to pre-award and administrative processes, post-award monitoring, labor hours, and equipment rates and rentals, and inspections. OIG found many areas of weakness or questionable internal controls that highlight the risks of emergency contracts for disaster response.

We have identified key factors that make emergency contracts for disaster response riskier than normal:

- Emergency contracts are typically awarded in the short period of time right after a disaster. Most of these contracts have shorter periods of performance, making them high-risk contracts because DOI often cannot provide the same level of oversight.
- Emergency contracts add workload for the contracting officers and staff without providing them with additional assistance, thus necessitating that they work rapidly while potentially providing less effective oversight.
- Emergency contracts are more often awarded without competitive bidding, making reasonable prices for equipment and material rentals difficult to achieve at a time when such rentals in a disaster area are in shorter supply.
- Many such contracts are for debris cleanup and can involve multiple layers of contractors, subcontractors, and oversight. These include more administration (e.g., daily timesheets, daily logs, dozens of pieces of equipment, special protective suits, invoicing).
- Due to the uncertainties of disaster response, the Government relies on more cost-type contracts and modifications to increase existing contracts, rather than firm-fixed-price contracts. These cost-type contracts shift the burden to the Government to ensure that costs are reasonable, allowable, and allocable, thus requiring Federal contracting staff to take on increased oversight responsibilities (e.g., reviewing timesheets, contractor and subcontractor invoices, and other administrative items) during an already hectic time.

Contract Pre-Award and Administrative Processes

Across contract audits, we found the following types of problems—

- flaws in contractor selection by DOI/bureaus;
- insufficient presolicitation planning (e.g., failure to identify ordinary fair-market value for equipment rental) and competition (in two cases, a contract award made to the only bid received) by DOI/bureaus;
- lack of contractor experience in Federal contracting;
- inadequate financial management systems on the part of the contractor; and
- little or no knowledge of basic Federal contracting regulations on the part of the contractor.

Contract Post-Award Monitoring

Across contract audits, we found the following types of problems—

- timesheet errors made by contractors (e.g., timesheets lacking supervisory approval, employees signing off as supervisors, and duplicate billing), and failure to ensure correct timesheets or shift tickets and invoices on the part of DOI/bureaus;

- absence on the part of the contractor of shift tickets needed to support billed equipment costs;
- insufficient review and approval of submitted shift tickets and invoices, on the part of DOI/bureaus;
- invoices unsigned by the contractor, DOI/bureaus, or both;
- insufficient supporting documentation (e.g., equipment invoices, timesheets, and labor and payroll records) provided by the contractor;
- unsupported and duplicate expenses, inflated rental equipment rates, and incomplete timesheets and invoices on the part of the contractor;
- unreasonable, excessive equipment rental rates billed by contractors and/or subcontractors;
- incomplete or inaccurate equipment inspection reports from the contractor;
- related-party transactions billed to contracts; and
- poor administration and oversight by DOI/bureaus.

Looking Ahead

Obstacles and Risks

In its 2014 Strategic Plan, GAO noted that the Federal Government does not budget for the costs of responding to a major disaster and runs the risk of facing a large fiscal exposure at any time, for example, the fiscal risk presented by climate change.

As the threat severity of natural disasters continues to grow, so will preparedness, response, and recovery challenges at the Federal, State, and local levels. Scientific assessments indicate that climate change is expected to result in more volatile weather patterns, with potentially more frequent and severe natural disasters. Among other capabilities, DOI needs to develop the ability to identify the organizations and resources required to operationalize disaster response and systematically prioritize resources to ensure effective use of Federal funds.

The Federal Government also continues to face challenges in developing useful measures to assess preparedness and response capabilities. Natural disasters have highlighted challenges facing Federal agencies in ensuring that homeowners and businesses can recover from disasters.

Oversight Planning and Internal Controls

OIG anticipates that future disasters will present obstacles similar to those encountered in the response to Super Storm Sandy. Ineffective monitoring increases the risk of improper payments and untimely expenditures. We believe that the following recommendations will improve oversight and lower the impact of emergency work by reducing the risks of price gouging, unsupported equipment and labor costs, and other fraud, waste, and abuse:

- DOI should develop and implement a policy for conducting pre-award assessments of potential contractors to reduce risk when awarding contracts. An assessment helps ensure that the potential contractor has adequate financial management systems and enables DOI to decide whether to award the contract, what type of contract to award, and whether to add conditions. It also allows management to plan the appropriate level of contractor oversight. Such assessments likely would identify contractors without knowledge of the Federal Acquisition Regulation, Federal contract experience, internal control policies and procedures, segregation of duties, and adequate financial capabilities.

- DOI should strengthen internal controls over post-award monitoring, particularly monitoring and keeping records of a contract's supporting documentation (e.g., invoices, timesheets, and inspection reports). Ineffective monitoring increases the risk of improper payments and untimely expenditures.

OIG only performed cost-type contract audits in response to Super Storm Sandy. While we acknowledge that cost-type contracts are allowable and beneficial, we believe that the burden and increased oversight responsibilities they necessitate for DOI contracting staff may outweigh their benefit. We also believe that the Department should require more firm-fixed-price contracting during the initial period after a disaster.

Operational Efficiencies

As noted in GAO's 2014 Strategic Plan, Government agencies will have to become more efficient and effective at delivering services, achieving productivity gains, and taking a risk-based approach to managing and allocating scarce resources. As part of this effort, agencies need to look for opportunities to minimize duplication, overlap, and fragmentation; re-order priorities and determine how and in what areas to make trade-offs; and evaluate the immediate and long-term effects of these decisions.

Summary of OIG Work

FY 2014 projects related to operational efficiencies focused on management of resources and programs.

Revenue From DOI Resources and Activities

We continue our work to identify opportunities for DOI to increase revenues through improved management of resources and programs.

Bureau of Land Management's Mineral Materials Sales

BLM manages the sale of mineral materials on Federal lands; the mineral materials program generates millions of dollars in revenue from public lands each year. We audited the program to determine whether BLM obtained market value for mineral materials.

We could not conclude that the Federal Government receives the full value of revenues from this program. We found that BLM has little assurance that it obtains market value for mineral sales, and its management of the mineral materials program is hindered by outdated regulations and policies. BLM does not always recover the processing costs for mineral materials contracts, which resulted in more than $846,000 in lost revenue, or verify production volumes reported for sales. We also found that BLM may be losing revenues due to unauthorized use. BLM did not collect fees for mineral materials used on lands it sold to a private developer, but informally valued the unpaid fees at more than $1 million. Our report contains 15 recommendations that should help BLM operate the program more efficiently and obtain adequate compensation for mineral materials sold from Federal land.

Recreation Revenues

We are currently reviewing BLM and NPS recreation programs for potential opportunities to enhance program revenue—a subject of particular relevance at a time when Federal agencies have faced mounting fiscal pressures. Recreation revenues are used to enhance the visitor experience, protect natural resources, provide for public health and safety, and facilitate access to public lands and recreation areas.

In the BLM audit, we found that BLM is missing opportunities to enhance its potential fee revenue, specifically: (1) BLM inconsistently uses its authority to charge recreation fees at camping and day-use areas, some of which charge fees and some of which do not, and (2) BLM does not collect market-value fees at a number of its developed recreation sites, and has not reviewed its fees in several years. We are also reviewing whether BLM effectively uses its authority to designate sites suitable for fee collection.

In the NPS audit, we reviewed the agency's three largest revenue-generating mechanisms: entrance fees, interagency park passes, and commercial bus tour fees. We found that NPS is missing opportunities to maximize its fee revenue: (1) only one-fifth of entrance-fee-charging park units charge according to the NPS entrance fee model; (2) NPS issues almost a million interagency park passes annually, with well over two-thirds free or close to free; and (3) NPS has not updated its fee schedule for commercial tour buses in 16 years.

Grants Management

Grants management has historically been subject to fraud and waste throughout Government. OIG dedicates significant resources to reviewing the adequacy of departmental and bureau grants management policies and procedures. Areas of concern include insufficient presolicitation planning and competition, selection of inappropriate award vehicles, and inadequate administration and oversight of grants.

U.S. Fish and Wildlife Service (FWS) Grants to States Under the Wildlife and Sport Fish Restoration Program

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act established the Wildlife and Sport Fish Restoration Program. Under the program, FWS provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The acts also require that hunting and fishing license revenues be used only for administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income earned using grant funds.

This year, FWS announced that grant funds to be distributed through the program exceeded $1 billion. As with any financial assistance program, a system of monitoring and independent audit must provide assurance that the funds are used appropriately. Each year, OIG conducts several audits to determine whether States (1) claimed program costs in accordance with the acts and related regulations, FWS guidelines, and grant agreements; (2) used State hunting and fishing license revenues solely for fish and wildlife program activities; and (3) reported and used program income in accordance with Federal regulations.

OIG completes about 13 grant audits each year for FWS. We continue to work with FWS officials on any audit findings, so that their monitoring activities can help States resolve the findings and prevent recurrence.

Coastal Impact Assistance Program

We audited grants awarded in Louisiana under the Coastal Impact Assistance Program (CIAP) to determine whether recipients complied with CIAP's authorizing legislation, grant regulations, DOI policies, and grant terms and conditions, and whether FWS effectively administers CIAP.

DOI awarded the State of Louisiana and its 19 eligible parishes 127 CIAP grants totaling $494.2 million between April 2008 and March 2013. During our audit, we reviewed 47 grants totaling $367.2 million and found several issues with grant monitoring that raised concerns about the potential for misuse of funds. Our audit identified $12,930,654 in questioned costs, as well as $4,347,739 in funds to be put to better use. We found significant deficiencies in FWS' and the State's management of CIAP grants, such as ineffective grant monitoring by FWS, insufficient State unused pre-award funds, improper contracts, unsupported payroll charges, over-allocated indirect charges, and inadequate land appraisals. We made 31 recommendations to target the identified deficiencies and seek to improve FWS' management and oversight of CIAP funds.

Wild Horse Gentling and Rehabilitation

At BLM's request, we audited $5,338,880 in costs reported for a horse-gentling program via cooperative agreement under the National Wild Horse and Burro Program. We identified questioned costs of $2,004,553, which included unsupported costs for contractual services and equipment rental, charging unallowable building and depreciation costs to BLM, and using an unapproved indirect cost rate to charge BLM.

Contract Management

OIG has dedicated significant resources to review the adequacy of departmental and bureau policies and procedures related to contract management. Across contract audits, we have identified areas of concern—for example, the high-risk factors and practices described in the "Disaster Response" section. The cross-cutting areas pertaining to operational efficiencies include contractor selection, insufficient pre-solicitation planning and competition, inappropriate award vehicle selection, and poor administration and oversight of contracts.

Specific problems that we identified during our contract audits in FY 2014 included—

- contractors with little to no Federal contract experience;
- contractors billing unsupported and inadequate timesheets;
- contractors billing unsupported equipment;
- contractors billing duplicate costs;

- contractors overcharging for equipment rental;
- contractors billing ineligible overhead rates and incorrect employee billing rates;
- contractors billing out-of-period costs; and
- contractors with deficient accounting systems, and lacking segregation of duties.

Looking Ahead

Grant and Contract Management

DOI awarded approximately $9 billion in new grants and contracts in FY 2014. Significant reforms to OMB guidance will require improved monitoring of grantees. On December 26, 2013, OMB issued final guidance titled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.” This new guidance, often referred to as the “Super-Circular,” will significantly affect day-to-day management and administration of Federal grants.

The new guidance increases competition for Federal grant funds and improves transparency. Specific requirements that will affect DOI include—

- **Public notice for grants.** Federal awarding agencies must notify the public of Federal programs through the Catalog of Federal Domestic Assistance (CFDA). The Digital Accountability and Transparency Act (DATA Act) of 2014 also will add more transparency requirements for agencies to submit accurate and complete data to USASpending.gov.
- **Merit-based review of applications.** Federal awarding agencies must design and execute a merit review process for all grant applications. The review process must be described or referred to in the corresponding funding opportunity.
- **Risk analysis of potential grantees.** Prior to making a Federal award, an agency must have a framework in place to determine the eligibility and risks of applicants. Risk factors include financial stability, quality of management systems, performance history, audit findings, and the applicants’ effectiveness in implementing statutory and regulatory requirements.
- **Standardization of information.** In an attempt to reduce variation between Federal agencies, the Super-Circular requires each Federal award to include 15 uniform datasets, including the timing, scope, and expected performance and outcomes.

These new requirements and already existing challenges in grant monitoring will require DOI to focus its efforts on this area for the foreseeable future. Aspects include performing the required risk assessments, using the Single Audits for ongoing monitoring, reviewing supporting documentation for reimbursable costs, and ensuring that grant recipients are using approved indirect cost rates.

Likewise, contracts should be awarded and administered in an efficient, effective, and accountable manner. Like all Federal agencies, DOI is challenged to ensure proper management and oversight of contracts. Specifically with regard to post-award monitoring, DOI will need to strengthen internal controls, particularly the monitoring and recordkeeping of a contract's supporting documentation, such as invoices, timesheets, and inspection reports.

Improving Employee Safety and Reducing Workers' Compensation Costs

The Federal Employees' Compensation Act (FECA) provides medical benefits, income replacement, and certain supportive services to Federal civilian employees with work-related illnesses or injuries, or in the case of death, survivor benefits to family members. DOI's workers' compensation costs, total case rate, and total lost-time cases continue to climb despite efforts to better manage the program. Two factors that are key to improving management include—

- **Employee safety in DOI.** The costs of FECA benefits are initially paid by the U.S. Department of Labor through the Employee Compensation Fund and reimbursed by DOI at the end of each fiscal year. OIG plans to review key safety data to help identify factors driving cost increases and position DOI to target improvements in its employee safety programs.
- **Learning from the POWER initiative.** In 2010, the President established a 4-year initiative called Protecting Our Workers and Ensuring Reemployment (POWER) to advance Government workplace safety and health efforts, covering FYs 2011 through 2014. OIG plans to review DOI's efforts under the POWER initiative, to identify promising practices for employee safety and reducing related compensation costs.

Public Safety

Each year, millions of individuals visit DOI's national parks and monuments, wildlife refuges, and recreational sites. DOI is responsible for serving these visitors and for maintaining and protecting thousands of facilities and millions of acres of property. In some cases, the isolation of lands and facilities presents unique vulnerabilities, making public safety a challenge.

Summary of OIG Work

FY 2014 projects related to public safety included review of underground injection control well activities and the U.S. Park Police firearms program.

Protection of Underground Water Sources

DOI is tasked with managing and protecting resources on Federal and Indian lands, including underground sources of drinking water. To help protect water quality, the U.S. Environmental Protection Agency (EPA) regulates injection wells, which place fluids underground for storage or disposal.

In March 2014, OIG completed an audit of the Department's underground injection control well activities. OIG found several issues with Class V injection wells (shallow gravity-drained wells) managed on DOI lands that could potentially threaten underground sources of drinking water. OIG found that DOI has no overarching guidance or policy to assist bureaus in complying with the EPA's regulations concerning Class V injection wells. This has led to a patchwork of inconsistent or nonexistent policies. In addition, DOI has not effectively tracked and managed the Class V wells, leaving them noncompliant with EPA's regulations to self-report these wells. OIG also found instances where well types banned from operation in 2005 were still operational on departmental lands. OIG provided seven recommendations to DOI and its bureaus that we believe will help them comply with EPA's regulations and safeguard underground sources of drinking water.

U.S. Park Police Firearms Management

OIG conducted simultaneous, unannounced inspections of unassigned weapons at U.S. Park Police (USPP) facilities after receiving an anonymous complaint regarding potentially missing weapons. OIG identified systemic internal control weaknesses that have impaired USPP's ability to properly account for and monitor weapons acquired for agency use. OIG found that staff at all levels—from firearms program managers to their employees—had no clear idea of how many weapons they maintained due to incomplete and poorly managed inventory controls. As a result, OIG discovered hundreds of handguns, rifles, and shotguns not accounted for on official USPP inventory records. The inability to properly account for and monitor weapons creates an environment where weapons are vulnerable to theft or misuse.

We also found that individuals appointed to oversee the USPP firearms program, which includes accountability for all USPP weapons, gave only minimal supervision to officers and other program staff with access to unassigned weapons. Firearms managers accepted verbal assurance that firearms inventories were completed correctly rather than taking personal responsibility for accuracy. This situation created discrepancies between firearms accounted for in the USPP inventory and those weapons that were on hand but not included in inventory records. We were unable to establish the existence of a clear USPP policy or procedure for reporting and investigating missing weapons, and also no clear process for communicating such information. USPP failed to comply with DOI policy governing firearms.

We provided 10 recommendations to improve firearms management. Due to the noncompliant and ad hoc USPP firearms inventory method, OIG could not determine whether any USPP personnel had taken weapons for unauthorized use. USPP's inability to consistently and accurately account for weapons left us with insufficient data on which to base such a determination.

Looking Ahead

BIA Detention Facilities

Detention of inmates in Indian Country is always an area of concern for DOI. The responsibility of ensuring inmates' safety and security not only falls upon the BIA Office of Justice Services (OJS) staff, but also is highly dependent on the facilities in which they are housed. Currently BIA OJS management does not have direct control or oversight of the physical structure of the detention facilities, relying instead on BIA's Office of Facilities, Environmental and Cultural Resources to address facility deficiencies or safety concerns.

In addition, numerous tribes across Indian Country have received grants from the U.S. Department of Justice to construct new detention facilities. In many instances, general contractors perform substandard work, resulting in a facility that cannot be opened (or used). Contractors also are not held accountable during the construction phase. Unless internal controls and oversight are strengthened, BIA detention facilities will continue to be an area of concern for DOI.

Increased Tourism

In June 2014, the Secretary signed a memorandum of understanding (MOU) with members of the Western States Tourism Policy Council and other Federal agencies recognizing the importance of tourism on Federal lands and waters. Tourism to national parks and federally managed lands is a driving economic force in the Western States. Travelers visiting Western States in 2012 spent $277 billion. More than 83 million people visited national parks in the West in 2013. The MOU renews for 5 years an ongoing agreement between States and Federal agencies (in place since 1997) to work together to advance domestic and international tourism on public lands and spur economic growth.

While increasing visitors to the national parks and federally managed lands benefits Western States economically and builds public support for DOI programs, an increased number of visitors also raises public safety concerns, especially in remote regions of the parks, during inclement weather, or with regard to protecting more visitors from animals such as bears. NPS and BLM could potentially find it challenging to adequately plan for and monitor the additional vendors needed to support increased visitor numbers and avoid potential occurrences such as the summer 2012 hantavirus outbreak in NPS tent cabins.

At national parks and federally managed lands, ensuring the health and safety of visitors is just as critical for DOI as protecting and preserving these areas.

Conclusion

We remain committed to focusing our resources on the issues related to these challenges to ensure greater accountability, promote efficiency and economy in operations, and provide effective oversight of the activities that embody DOI's mission.

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.

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Office of Inspector General
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Washington, DC 20240