



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**




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INSPECTOR GENERAL**  
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DEC 03 2013

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  
Assignment No. ER-SP-MOI-0012-2013

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 2013. These challenges reflect those the OIG considers significant to departmental efforts to promote economy, efficiency, and effectiveness in its bureaus' management and operations.

We identified the top management and performance challenges as—

- energy management;
- climate change;
- water programs;
- responsibility to Indians and Insular Areas;
- 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.

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# **Top Management Challenges for the U.S. Department of the Interior**

## **Energy Management**

The U.S. Department of the Interior (DOI) has jurisdiction over 1.76 billion acres of the Outer Continental Shelf (OCS), manages about one-fifth of the land area of the United States, and manages 700 million acres of subsurface minerals throughout the Nation. DOI lands and waters generate almost one-third of the Nation's domestic energy production, resulting in royalties of approximately \$12 billion in fiscal year 2012 and \$11.2 billion in fiscal year 2011.

In an effort to manage this responsibility more effectively, DOI underwent major changes in fiscal year 2012 in the area of energy management, which included the transition of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) into the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE), and the Office of Natural Resources Revenue (ONRR).

## **Offshore Energy**

In September 2013, OIG completed an evaluation of DOI's Offshore Renewable Energy Program to determine Program effectiveness. Our evaluation found that DOI does not have updated regulations or detailed standard operating procedures for the Program's internal processes. We also found that ONRR has not documented its policies and procedures for its processes and responsibilities regarding receipt and review of rental payments and operating fees. DOI has an opportunity to strengthen and improve its Offshore Renewable Energy Program by finalizing regulations and completing and documenting internal procedures. BOEM plans to revise these documents in a strategic manner as experience is gained in this new industry.

To date, BOEM has issued four offshore wind energy leases off the coasts of Massachusetts, Delaware, and Rhode Island. BOEM held a competitive auction off the coast of Virginia in September 2013 and future competitive lease sales are planned in 2014 for areas off the coasts of Maryland, New Jersey, and Massachusetts.

## **Renewable Energy: Bureau of Land Management**

The Bureau of Land Management (BLM) also addressed the expansion of renewable energy by increasing its capacity to process renewable energy grants for rights-of-way (ROW) and to address weaknesses previously identified by OIG. Specifically, BLM issued a policy requiring State offices to annually track bonds for wind and solar projects and to charge the current rental fee.

## **Leasing Activities on Federal Lands: Bureau of Land Management**

### *Geothermal Program*

In March 2013, OIG completed an evaluation of BLM's geothermal program, which is responsible for issuing leases, inspecting drilling sites, enforcing safety and environmental rules, and other activities related to the development and production of geothermal resources on Federal lands.

We found that operational orders for geothermal resources, which were issued by BLM to implement and enforce Federal regulations, were approved more than 30 years ago and fail to account for technological advancements. BLM personnel reported that four of the seven orders are no longer applicable, as the provisions have been incorporated into the current Federal regulations. Absent a uniform, current set of orders, BLM relies on outdated information to oversee the geothermal program and risks noncompliance with Federal regulations.

In addition, BLM has no standardized policy governing the geothermal inspection and enforcement program. Therefore, many offices have developed their own inspection processes, creating inconsistencies among BLM's State and field offices. We identified variations in the types of inspections conducted, in the formats used for conducting inspections, in the type of data collected during the inspections, in the frequency of inspections performed, and in the qualifications and training required for inspectors.

We believe that our four recommendations to review and update existing orders to create an up-to-date, uniform set of policies and to standardize and routinely examine the inspection and enforcement process for geothermal operations provides BLM the opportunity to manage its geothermal resources more effectively.

### *Coal Program*

In June 2013, OIG issued an evaluation that assessed DOI's effectiveness in managing its coal program. We found weaknesses in the current sale process that puts the Government at risk for not receiving the full, fair market value for its coal leases. For instance, we identified lost bonus revenues of \$2 million in recent lease sales and \$60 million in potentially undervalued lease modifications. In addition, flaws in the inspection and enforcement program could prevent BLM personnel from detecting noncompliance with laws, regulations, and lease terms.

We made 13 recommendations to enhance BLM's coal sales and inspections. Because even a 1-cent-per-ton undervaluation in the fair market value calculation for a sale can result in millions of dollars in lost revenues, correcting the identified weaknesses could produce significant returns to the Government.

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

In February 2011, the U.S. Government Accountability Office (GAO) added DOI's management of Federal oil and gas resources to its list of Federal programs

and operations at high risk for waste, fraud, abuse, and mismanagement or needing broad-based transformation. GAO added DOI's program to this high-risk area for three reasons:

- DOI did not have reasonable assurance that it was collecting its share of revenues.
- DOI continued to experience problems hiring, training, and retaining sufficient staff to provide oversight and management of oil and gas operations.
- DOI engaged in a broad agency reorganization that could adversely impact its ability to effectively manage oil and gas during the crisis following the Deepwater Horizon incident.

GAO recommended that DOI comprehensively reassess its revenue collection policies and processes. In response to this recommendation, DOI contracted for a study to help it make decisions about lease terms, including royalties. While the study has been completed, GAO determined that DOI is still in the process of deciding whether to use the results of the study.

In February 2013, after DOI completed its reorganization, GAO narrowed the oil and gas high-risk area to focus on revenue collection and human capital challenges. According to GAO, DOI has not yet fully implemented all recommendations regarding these specific issues, and GAO is currently examining DOI's progress.

Regarding human capital issues, Congress provided funds for fiscal years 2012 and 2013 to BOEM and BSEE in the Gulf of Mexico to establish higher minimum rates of pay for key positions, such as geophysicists, geologists, and petroleum engineers. BOEM and BSEE could increase minimum pay rates by up to 25 percent. As a result, DOI stated that BSEE has increased the number of critical scientific, technology, and engineering positions by 79.

## **Climate Change**

In its 2013 report, GAO identified climate change as a high-risk area. Climate change is a complex, crosscutting issue that poses risks to many environmental and economic systems—including agriculture, infrastructure, ecosystems, and human health—and presents a significant financial risk to the Federal Government.

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 to DOI. The lands and resources managed by DOI face increasingly complex and widespread environmental challenges associated with climate change, such as increased coastal erosion due to weather related phenomenon, wildland fires, as well as destruction from invasive species, such as the pine bark beetle. In addition, communities continue to face increasing issues

with water availability and drought which affect farming and other land uses, while other urban and rural areas face issues with flooding.

DOI continues to face the challenge of developing relevant scientific information for land, water, and wildlife managers on a regional 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 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 ensure 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.

Former Secretary Salazar signed Secretarial Order 3289 on September 14, 2009, and amended it February 22, 2010, titled, "Addressing the Impacts of Climate Change on America's Water, Land, and Other Natural and Cultural Resources." The document coordinated the application of scientific tools to increase understanding of climate change and determine an effective response to its impact on tribes and on land, water, ocean, fish and wildlife, and cultural heritage resources managed by DOI. In support of the Secretarial Order, as the largest land manager in the United States, DOI has established and uses 8 climate science centers (CSCs) and 22 landscape conservation cooperatives (LCCs) as vehicles through which to address climate change and other ecological stresses.

In June 2013, OIG issued an audit report that sought to determine if DOI properly manages funding for LCCs. We evaluated 47 grants worth \$6.8 million. Specifically, we found areas of concern with respect to the management of grants and cooperative agreements at FWS that could potentially place millions of dollars at risk and jeopardize future funding and support for the LCCs' activities. We identified issues related to the effective implementation of internal controls, the selection and awarding of financial agreements through fair and open competition, as well as oversight and control of LCCs. LCCs, however, remain a highly valuable conservation approach to addressing large-scale challenges and stresses to natural resources.

We offered 15 recommendations and promising practices to help LCC grant-management activities conform with regulations and DOI policies. DOI has submitted a corrective action plan to resolve our recommendations by December 31, 2015. OIG will continue to focus staff resources where they will have the most impact on DOI's climate change efforts.

## **Water Programs**

As the largest supplier and manager of water in the 17 western States, DOI delivers irrigation to 31 million people, 1 out of every 5 western farmers, and 10 million acres of farmland. The challenges associated with these responsibilities

include an aging water infrastructure, rapid population growth, depletion of groundwater resources, impaired water quality associated with particular land uses, and land covers (the physical material at the surface of the earth, such as grass, trees, or asphalt).

### **WaterSMART**

The Bureau of Reclamation (USBR) manages the WaterSMART program, which secures and conserves water supplies for use by existing and future generations to benefit people, the economy, and the environment. The program also identifies adaptive measures needed to address climate change impacts and future supply demands. In fiscal year 2013, USBR funded a small number of multiyear WaterSMART grant projects in 1-year phases to determine whether larger, phased projects would result in additional water conservation as opposed to 1-year projects. In fiscal year 2014, USBR will use fiscal years 2012 and 2013 results to determine whether adjustments to future funding opportunity announcements should be changed from 1-year projects to multiyear projects.

### **Central Valley Project**

The Central Valley Project (CVP) in California is currently one of the largest water supply projects in the United States, providing water to more than 3 million acres of farmland and to nearly 1 million households each year. As of 2011, the remaining reimbursable Federal investment in the CVP facilities providing water for irrigation and municipal and industrial purposes was \$1.3 billion.

In March 2013, OIG completed an evaluation of CVP to determine whether the Federal Government is on track to recoup its investments in the project by the legally established deadline of 2030. We found that USBR is not making steady progress toward recovery of Federal investments in the CVP because current CVP rate-setting policies, water projection methods, and contract provisions do not ensure that sufficient revenue is generated each year. When actual water deliveries are less than projected deliveries, revenues are insufficient to recover the Federal investment in the project. When actual water deliveries exceed projected deliveries, however, existing contract provisions stipulate that excess revenues collected by USBR must be refunded to the contractors.

USBR has 18 years remaining to ensure that the repayment requirement is met. The longer USBR waits to improve its rate-setting policies and ensure stable repayment of the Federal investment, the greater the impact will become. This could cause significant, if not unsustainable, rate increases to water contractors, creating the potential for rates to exceed the contractors' ability to pay. Rate increases could also lead to contractors requesting that Congress extend the repayment deadline beyond 2030 or provide additional repayment relief. Our report included two recommendations to help USBR recoup its investment.



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

### **Indian Affairs**

Responsibility to American Indians is consistently a top management challenge for DOI. Through the Bureau of Indian Affairs (BIA), DOI works with 566 federally recognized Indian tribes, has trust responsibilities for 112 million surface and subsurface acres of land belonging to Indian tribes and individuals, and provides education services to approximately 41,000 Indian children in 183 schools and dormitories. Some of the Indian Country programs managed by DOI include Indian Trust for Lands and Funds, Social Services, and Justice Services.

### *Cobell and Indian Land Consolidation*

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

Because wills were not widely used by American Indian landowners, smaller and smaller land interests descended to successive generations, thereby fractionating the land, limiting the tribes' productive use of land, and creating jurisdictional issues. As a result, BIA and the Office of the Special Trustee for American Indians devote a significant portion of their budgets to administer the fractionated land interests. To address land fractionation, the settlement established a \$1.9 billion fund for the voluntary buyback and consolidation of fractionated land interests. The land consolidation program will provide individual American Indians with an opportunity to obtain cash payments for the sale of their undivided land interests and provide tribal communities with the economic benefit resulting from better use of the land.

In August 2012, we issued an advisory report on probate and estate planning activities related to Indian land consolidation. We found that the purchase option at probate had not been utilized due to concerns by the Office of Hearings and Appeals as to the type of sale and the suitability of appraisals. The purchase option at probate is often viewed as a forced sale due to the lack of a willing or knowledgeable seller. In addition, there is no uniform requirement for the type of appraisal report needed in purchase-at-probate sales. We also found that comprehensive estate planning can combat further fractionation. DOI, however, does not currently fund estate planning services. We made four recommendations to address the report findings.

In July 2013, we released an advisory report that addressed six important issues for DOI to consider when providing funding to tribes for Indian land consolidation. These issues included—

- selecting the funding instrument—either a grant, cooperative agreement, or procurement agreement;

- drafting a scope of work that outlines specific responsibilities of the tribes and DOI;
- defining inherently governmental activities to determine which activities, if any, can be performed only by Government personnel;
- maintaining transparency when making single-source determination, which eliminates the requirement for competition when seeking an award;
- soliciting legal review from the Office of the Solicitor when developing new programs or policies that affect funding allocations and when making complex awards; and
- monitoring requirements for Federal financial assistance programs to promote good stewardship of awarded funds.

The advisory also included sources for further guidance to assist DOI's efforts toward providing funding for participating tribes to implement portions of the land consolidation program.

#### *Social Services Program*

BIA provides tribes about \$137 million each year in social services funding to provide welfare assistance for almost two million individuals in 566 recognized tribes. In March 2013, OIG issued an evaluation report of BIA's social services program. We found unclear guidance as it relates to performance standards and roles and responsibilities that kept Bureau personnel from understanding and successfully conducting their work. We also found that communication among managers, staff, and tribes was ineffectual, demonstrated by the absence of clear instructions for data calls, the inability to share social service information across all necessary BIA social service channels, and the failure to respond to funding requests for welfare assistance applicants. Such inadequate communication has hindered effective functioning of social services programs. It also made it difficult for us to precisely determine if BIA's social services program was effectively administered, if cases were adequately managed, if Bureau-level social services data were accurate or reliable, and if tribal members applying for social services were receiving what they needed.

We offered seven recommendations related to policy and performance planning to help BIA manage its social services resources more effectively.

#### *Bureau of Indian Affairs Investigations*

Approximately one-fourth of OIG investigations involve Indian Country. Most recently, OIG completed a joint investigation with the FBI and the Internal Revenue Service's Criminal Investigation Division of Crow Tribe Historic Preservation Office (THPO) employees. The investigation determined that the former THPO director illegally told companies to pay THPO employees directly for cultural monitoring activities performed by the employees. This practice circumvented Crow Tribe procedure that requires the tribe's financial office to submit invoices to companies for cultural monitoring work performed; the companies then remit payment to the Crow Tribe for those services. Between July

17, 2009, and November 21, 2011, seven individuals illegally received direct payments totaling more than \$500,000 from companies for cultural monitoring duties performed on behalf of THPO.

The former director and the seven individuals were indicted on November 14, 2012, by a Federal Grand Jury in the U.S. District Court for the District of Montana for conspiracy to defraud the Crow Tribe, mail fraud, theft from an organization receiving Federal funds, theft from an Indian tribal organization, extortion involving a federally funded program, and Federal income tax fraud. All defendants have pleaded or have been found guilty, and all but the former director have been charged with sentences ranging from 5 years of probation to 6 months of jail time and with paying retribution.

### **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. State Department 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, healthcare, infrastructure improvement, public sector capacity building, private sector development, and the environment.

### ***Guam Military Buildup***

The U.S. Department of Defense (DoD) announced that it has scaled down the number of troops it will relocate from Okinawa, Japan, to Guam to approximately 5,000 Marines and 1,300 dependents. DoD also revised the timeline for relocation from its original 2014 target date to no earlier than 2020. Nonetheless, significant improvements to Guam's infrastructure and public services will be required. To help assess Guam's preparations for the military buildup, OIG performed a series of evaluations on Guam's police, fire, and public safety functions that serve the citizens of Guam. OIG is currently evaluating the Guam Memorial Hospital Authority and the Guam Department of Revenue and Taxation (DRT).

### ***Guam Memorial Hospital***

Guam Memorial Hospital is the only public hospital on Guam. We are in the process of determining whether the hospital has the ability to meet the medical care needs of the citizens of Guam and whether opportunities exist to improve

services. Preliminary observations revealed that the hospital has a shortage of medical care professionals and specialized services, limiting its ability to meet the needs of the island residents. Further, hospital revenues have not kept pace with the increasing cost of providing medical care services. We are encouraged, however, that new hospital leadership has been appointed and senior officials have taken steps to refine hospital policies, improve processes, and increase revenues.

#### *Guam Department of Revenue and Taxation*

To help pay for the island's infrastructure and service developments, it is important for DRT to collect all due taxes. We are in the process of determining the effectiveness of Guam's ability to collect the Gross Revenue Tax and the Business Income Tax from companies performing work for the military. Our preliminary findings show that DRT does not have an adequate process to ensure a high level of tax compliance. DRT is not using all available information to identify contractors performing work for the military and the revenues that they earn. Further, DRT has not dedicated sufficient personnel resources toward examining tax compliance from these revenue sources.

#### *Detecting Fraud, Waste, and Mismanagement in the Insular Areas*

We continue to find that many of the Insular Area governments do not have sufficient resources to adequately prevent and detect fraud, waste, or mismanagement involving federally and locally funded programs. The Offices of the Public Auditor (OPAs) for these governments continue to operate under insufficient and, in some instances, declining budgets, making it difficult to compete for and retain qualified audit staff.

Investigations involving the Insular Areas revealed that federally funded programs remain vulnerable as a result of weak procurement systems and poor integrity in local government personnel. While OIA has increased its oversight of the programs it supports, OIA must also rely on OIG and OPAs to help review these programs and local government operations.

We partnered with OIA to stretch our capacity-building initiatives by providing audit training to American Samoa earlier this year and are scheduled to reach the Federated States of Micronesia and the Republic of Palau. This initiative has and will develop audit skills within OPAs that will help auditors oversee the financial and program resources and activities of their governments. We also continue to welcome auditors from OPAs for on-the-job training experiences with OIG.

## **Information Technology**

In September 2013, a GAO report identified issues related to implementation of information technology security programs Governmentwide. GAO found that in fiscal year 2012, 24 major Federal agencies had established many of the components of an information security program required by the Federal Information Security Management Act of 2002 (FISMA) but had only partially

established others. FISMA requires each Federal agency to establish an information security program that incorporates eight key components, and each agency inspector general to annually evaluate and report on the information security program and practices of the agency. The act also requires the Office of Management and Budget (OMB) to develop and oversee the implementation of policies, principles, standards, and guidelines on information security in Federal agencies and the National Institute of Standards and Technology to develop security standards and guidelines. GAO found that the extent to which agencies implemented security program components showed mixed progress.

Continuous Monitoring is considered a key technology in agency attempts to improve cyber security and reduce risk by keeping a constant check on the state of compliance with security controls and the level of current threats. By approaching IT security as an ongoing review area rather than a limited engagement, OIG can provide timely and meaningful solutions to help DOI improve safeguards over the confidentiality, integrity, and availability of information resources. During fiscal year 2014, OIG will stand up an IT audit group. Once fully activated, this group will audit areas such as cyber security, insider threats, Internet protocols and migration to cloud computing. DOI, however, faces organizational challenges with IT infrastructure, IT security, IT resource management, and IT governance.

### **Infrastructure**

In December 2010, DOI launched the information technology (IT) transformation under Secretarial Order 3309. The order directed DOI's chief information officer to assume oversight, management, ownership, and control of all IT infrastructure assets. As a result of assuming greater control of essential IT services, officials in the Office of the Chief Information Officer (OCIO) identified a number of concerns, including sufficient capacity (people, processes, and technology), stable funding models reflecting workload demands, improvements of IT asset utilization, and a need for a defined governance model that resolves competing interests between mission and enterprise priorities. DOI has established goals for IT infrastructure consolidation that—

- promote green IT by reducing overall energy consumption (improve IT asset and real estate utilization);
- reduce cost of data center hardware, software, and operations;
- increase overall security posture for Government; and,
- shift IT investments to more efficient platforms and technologies.

### **Security**

We learned from OCIO officials, that DOI does not have an IT security program that fully encompasses vulnerability, threat, and incident management as recommended by the National Institute of Standards and Technology (NIST). Efforts to implement a continuous monitoring capability have not been fully realized due to insufficient resources to acquire key continuous monitoring components. The U.S. Department of Homeland Security will provide some

funding for DOI's Continuous Diagnostics and Mitigation (CDM) tools, which seek to improve timely IT security. OCIO officials said that the CDM initiative helps fund the acquisition of mitigation technology, but substantial efforts will be needed to fully obtain appropriate levels of cooperation, consultation, and consensus Departmentwide.

Officials also identified concerns over unacknowledged, undocumented, and unmanaged IT assets that may pose risks to overall IT security. DOI relies on manually collected, self-reported data from agency subcomponents, which limits management's ability to sufficiently secure DOI's information resources, respond to security incidents, and generally manage the IT environment. In addition, DOI has no reliable inventory of IT assets Departmentwide. This places management in a position of relying on questionable and outdated information when making important decisions, including investment of funds, prioritization of projects and initiatives, and allocation of resources.

OCIO would like to fully transition to enterprise-oriented cyber-security services by fiscal year 2016, however, needed resources to pursue these initiatives have not yet been realized.

### **Resource Management**

According to OCIO, it does not have available resources and the bureaus and offices do not have project managers qualified to enforce and oversee compliance with OMB's requirement to deliver projects on time. OCIO officials also stated that project managers receive internal guidance from bureau and office officials that is inconsistent with departmental guidance. By not having qualified or fully dedicated project managers, DOI cannot report accurate performance baselines internally or to OMB.

### **Governance**

An IT governance reform effort has been underway at DOI since January 2011. Federal regulations and policy require the chief information officer to have the authority to terminate underperforming IT investments or shut down systems that pose a significant risk to the enterprise. Efforts to enforce this authority are being made through a variety of channels and seek to improve IT governance and effective IT budgetary controls. OCIO plans to implement a model to integrate the various levels of IT governance and standard IT spending categories within the Financial Business and Management System.

Although DOI leadership supports the change necessary for transformation success, management buy-in at the bureau and office level is a crucial component to achieve full consolidation and address the challenges of IT infrastructure, IT security, IT resource management, and IT governance. The commitment and cooperation of all DOI stakeholders are essential for these efforts to be successful.

## Disaster Response

DOI has the authority to provide for public safety and protection of natural resources within its jurisdiction during emergencies, as well as a clear responsibility to support tribal and insular communities. DOI is also a full partner in both the National Response Framework and the National Recovery Framework and applies its vast capabilities as part of interagency plans supporting State, tribal, and local communities.

In October 2012, Super Storm Sandy devastated States along the East Coast from Florida to New England, prompting major disaster declarations in Connecticut, New Jersey, and New York, as well as emergency declarations in Delaware, the District of Columbia, Maryland, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, Virginia, and West Virginia.

Overall, DOI received \$829.2 million in the Disaster Relief Appropriations Act of 2013, which was reduced by \$42.5 million to \$786.7 million due to sequestration. DOI released \$475.25 million—approximately 60 percent of its appropriation—to fund 234 projects that will repair and rebuild parks, refuges, and other DOI assets damaged by Hurricane Sandy. This funding will also provide investments in scientific data and studies to support recovery in the region, as well as historic preservation efforts. DOI will allocate the remaining funding to mitigation projects that increase coastal resiliency and capacity to withstand future storm damage and to restore and rebuild public assets.

OIG executed an oversight plan, as the emergency declaration invoked acquisition flexibilities authorized in the Federal Acquisition Regulation and gave rise to unusual and compelling needs for supplies and services. Contracts related to disaster response are riskier than normal because—

- the period of performance is generally shorter than a normal contract. Thus, all parties have less time for contract oversight, such as site visits, timesheet reviews, review of contractor and subcontractor invoices, and other administrative items;
- they are more often awarded without competitive bidding, leading to difficulty in establishing a reasonable price and a higher than market value contract;
- emergency contracts add workload to contracting staff, which can result in less oversight of additional contracts and dollars;
- they are more often awarded as cost reimbursement contracts. Unlike firm-fixed-price contracts where the contractor has the burden for cost, cost reimbursement contracts shift the burden to the Government. Under these types of contracts the Government is responsible to ensure all costs are reasonable, allowable, and allocable, resulting in increased oversight responsibilities by contracting officials; and

- there are more uncertainties for disaster response contracts that often lead to large increases from the base amount.

OIG has taken a proactive approach to oversight related to DOI's emergency recovery efforts and has started performing contract audits. We have also escalated our outreach efforts and fraud awareness briefings with responding DOI bureaus, coordinated with the Recovery Accountability and Transparency Board, and increased oversight of purchase-card use and recovery-related contracts.

## **Operational Efficiencies**

DOI, like other Federal agencies, face considerable challenges in the current economic and budgetary climate. Budget cuts made pursuant to sequestration have had and will continue to have profound effects on DOI's programs, partners, and services and affect DOI's ability to maintain grants management, travel, training, and public safety.

### **Sequestration Impact**

By nature, sequestration is applied to every program, project, and activity within eligible accounts. As indicated in the President's March 1, 2013 Sequestration Order, budgetary resources subject to sequestration are defined as new budget authority, direct spending authority, and obligation limits. According to DOI officials, DOI has reached out to the bureaus and to OMB with lessons learned in an attempt to streamline future implementation efforts and mitigate the impact of future sequestration.

### **Grants Management**

Grants management has historically been subject to fraud and waste throughout Government. We dedicate significant resources to reviewing the adequacy of Departmental and bureau policies and procedures related to grants management. We identified areas of concern to include insufficient pre-solicitation planning and competition, selection of inappropriate award vehicles, and a poor administration and oversight of grants.

#### *Coastal Impact Assistance Program*

We audited Coastal Impact Assistance Program (CIAP) grants awarded to the State of Mississippi to determine whether grant recipients complied with CIAP's authorizing legislation, Federal regulations, DOI policies, and grant terms and conditions and to identify grant management challenges that FWS should address as it assumed responsibility for managing CIAP.

DOI awarded the State of Mississippi's Department of Marine Resources and Hancock, Harrison, and Jackson Counties 100 CIAP grants from fiscal years 2009 through 2012, totaling \$99.8 million. During our audit, we found—

- grants were approved that did not meet criteria in CIAP legislation;



- widespread conflicts of interest in the administration of CIAP and land purchases;
- improper land appraisals;
- circumvention of procurement regulations;
- improper charges to grants;
- improper use of equipment; and
- various accounting, payroll, and financial issues.

Of the almost \$39 million in our sample representing 57 grants, we questioned approximately \$30 million in CIAP spending including ineligible and unsupported costs and funds to be put to better use. We provided 37 recommendations to help FWS eliminate program deficiencies.

#### *Landscape Conservation Cooperatives*

We audited DOI's previously mentioned Climate Change program to determine if DOI properly awarded and effectively managed financial assistance awards (grants and cooperative agreements) for the landscape conservation cooperatives (LCCs). We identified issues related to the effective implementation of internal controls as well as the selection and awarding of financial agreements through fair and open competition.

#### **Travel**

In November 2013, DOI implemented a new travel system to replace GovTrip. In our Departmentwide audit of GovTrip and related travel processes and procedures, we assessed DOI's ability to reconcile its various systems to determine whether data and dollars spent are fair and accurate. The audit scope encompassed fiscal years 2009 and 2010 and included testing of more than 700 travel vouchers and 300 charge card statements and found several significant issues, such as missing documentation and errors in expenses, authorizations created after the trip date, and unexplained transactions. We offered several recommendations to ensure successful implementation of the new system.

#### **Training**

GAO reviewed Federal agencies to determine which agencies have established processes to develop and prioritize training investment strategies. GAO obtained information from 27 chief human capital officers on their training investment practices through a questionnaire and selected four agencies, including DOI, to provide illustrative examples.

Senior human capital officials in DOI reported that DOI's leadership, including the chief human capital officer, are not aware of DOI's overall training investments Departmentwide and have no formalized mechanism for ensuring accountability for how the funds are used. Further, since each bureau independently secures training, there is no consistency among bureaus, little quality control, and no maximization of procurement tools, like blanket purchase agreements, across DOI.

To address these challenges, DOI formed a Departmentwide task force to identify potential duplication in training, funds expended in training delivery, and the cost of travel and facilities. In July 2012, the task force recommended opportunities to generate efficiencies and savings in training operations to the chief learning officer. DOI's Office of Strategic Employee and Organization Development is developing action plans to address the task force's recommendations.

### **Revenue from DOI Resources**

The Federal Government has effectively controlled the market for helium for almost a century through its position as a predominant supplier. In managing the Federal helium program, BLM has a responsibility to receive a fair return on its helium inventory.

In November 2012, we audited BLM's helium sales program. We found that BLM does not have the capability needed to identify and maintain market value prices for its helium reserve. Without changes to the program, there is no assurance that BLM's nongovernmental helium sales occurring over the next 5 to 7 years will be made at market value. At recent BLM prices, sales of helium would generate about \$1 billion in revenue. Current prices, however, are established based on cost rather than on market value. The market value of BLM's helium inventory will be potentially much higher as new and expanding technologies create significant demand. For each percentage point increase in value, BLM could collect an estimated \$10 million in additional helium revenues. For example, a 25 percent increase in value would generate \$250 million in additional gross revenues. Depending on the established market value and the future cost of program operations, BLM could collect at least this amount. To capitalize on this opportunity, BLM needs to identify and charge market value for all helium sales to nongovernmental purchasers.

In addition, BLM manages nongovernmental helium sales without the formal procedures needed to guide program operations. Timely action is required to ensure the helium program can operate effectively over the coming years. Our report made three recommendations to strengthen the Bureau's management of its helium inventory.

The President signed the Helium Stewardship Act of 2013 on October 2, 2013. The Act gives DOI broad discretion to operate helium sales "with minimum market disruption" for the near term, while calling for program reforms that "maximize the total financial return to the taxpayer." To ensure a market basis for nongovernmental helium sales in fiscal year 2015 and beyond, BLM is to annually consider "recommendations and disaggregated data from a qualified, independent third party who has no conflict of interest, who shall conduct a confidential survey of qualifying domestic helium transactions." Incorporating independent market data into its pricing should better position BLM to secure a fair return on this increasingly valuable resource.

## **Public Safety**

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

### **Hantavirus Outbreak**

In May 2013, we completed an inspection at Yosemite National Park in response to a Hantavirus outbreak in some of the park's visitor tent cabins. During the summer of 2012, Yosemite National Park experienced a Hantavirus outbreak with 10 confirmed cases—9 of which were linked to Curry Village's "Signature" tent cabins. Hantavirus is a potentially severe disease of the lungs that can progress into Hantavirus pulmonary syndrome, which can be fatal. Our inspection focused on whether NPS provided adequate concessionaire oversight of Yosemite National Park visitor tent cabins.

We found that NPS provided oversight consistent with its current policy. Showcasing a proactive public safety mitigation process when the outbreak was identified, NPS mobilized to contain and remediate the outbreak. NPS acted according to its review and approval criteria for the concessionaire's plans and proposals, pest monitoring and management activities, inspections of the concessionaire's visitor accommodations, and information dissemination of Hantavirus and other similar diseases. After the outbreak, NPS increased its role in oversight and approval of these planning and monitoring activities.

### **DOI Dam Safety**

In December 2012 and September 2013, OIG completed evaluations of high-hazard dams managed by BLM, NPS, the Office of Surface Mining Reclamation and Enforcement (OSM), BIA, and FWS to determine if emergency action plans (EAPs) are in place, reviewed, updated, and exercised appropriately and to determine the bureaus' ability to respond to a disaster at high-hazard dams. DOI manages and ensures dam safety for the more than 2,600 dams across the Nation, and the "Departmental Manual" requires that EAPs be prepared for all high- and significant-hazard dams. High-hazard dams are those whose failure could result in loss of life; significant-hazard dams are those whose failure would not cause a loss of life but could result in a significant economic loss.

We found that BLM, NPS, and OSM either have no requirement for EAPs to be in place for all high-hazard dams under their purview, or have not adequately reviewed, exercised, or formalized the EAPs that are in place. We also found that none of the three bureaus have a written policy requiring after-action reports to be prepared following EAP exercises. In addition, when after-action reports are prepared, the bureaus do not track recommended corrective actions for implementation.

We also found that neither BLM, NPS, nor OSM has a uniform approach to monitoring the privately owned, high-hazard dams located on BLM and NPS lands or the high-hazard, non-Federal dams over which OSM has no direct regulatory jurisdiction. Neither BLM, NPS, nor OSM has a requirement to directly regulate such dams, but OIG believes it is important to both alert DOI to the existence of these dams and to provide information on how DOI can better monitor and enforce health and safety concerns.

We issued seven recommendations to help DOI better monitor the high-hazard dams that BLM, NPS, and OSM are responsible for managing and regulating and made four recommendations to help DOI better monitor the high-hazard dams it does not own.

In our September 2013 evaluation of high-hazard dams owned by BIA and FWS, we found that BIA has had some challenges in documenting its EAP exercises and ensuring that EAPs are final and up to date. In contrast, FWS has EAPs in place for the high-hazard dams we reviewed and routinely exercises these plans. FWS also documents the exercises in after-action reports, but it does not have a formal policy requiring preparation of these reports.

Neither BIA nor FWS maintained documentation verifying equipment and materials mentioned in EAPs. While there is no requirement for documenting this verification, it is an important component of emergency preparedness.

We made 13 recommendations to the bureaus to update policies, maintain all of the required documentation and information, and verify locations and existence of equipment and materials to assist BIA and FWS in their efforts to improve emergency management procedures.

## **Conclusion**

Working with DOI officials, we identified energy management, climate change, water programs, responsibility to Indians and Insular Areas, information technology, disaster response, operational efficiencies, and public safety as the most significant management and performance challenges facing DOI. We are committed to focus 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 comprise 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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