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COMMITTEE ON APPROPRIATIONS,  
SUBCOMMITTEE ON INTERIOR, ENVIORNMENT AND RELATED AGENCIES  
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Mr. Chairman and members of the Subcommittee, I want to thank you for the opportunity to address you this morning about the observations of the Office of Inspector General (OIG) and our views about the challenges that face the Department of the Interior (DOI).

From our audits, evaluations and investigations, the OIG has amassed an independent body of knowledge regarding DOI programs and challenges. Given our broad oversight perspective, we are in a unique position to provide insights on the most challenging issues that face DOI today.

### **Integrity and Ethics**

Over the past few years, our office has investigated a series of cases involving the abuse of public trust, which stemmed from a fundamental breakdown in the integrity and ethical conduct of both career and political appointees. The most egregious of these cases involved former Deputy Secretary J. Steven Griles, and his willingness to serve as Jack Abramoff's "inside man at Interior." This scandal involved the exploitation of American Indians and resulted in over a dozen separate investigations, some of which are still on-going. Another major case involved the Minerals Management Service's Royalty-in-Kind (RIK) program. In this case, the Senior Executive in charge of the RIK program disregarded ethics rules, allowing his employees to regularly fraternize with and accept illegal gratuities from the oil and gas

companies with whom they conducted business. Other examples include senior Department officials who attempted to manipulate science concerning endangered species; an Assistant Secretary who accepted prohibited gifts from friends who stood to benefit from his official decisions; a senior Insular Affairs official who pled guilty to accepting bribes; the successful prosecution of a National Park Service Special Agent who pled guilty to travel fraud; and Office of Special Trustee officials who fraternized with and accepted gifts from a contractor to whom they awarded multi-million dollar contracts.

While the vast majority of Department employees conduct themselves in an ethical manner, Department officials must lead by example, setting the standard for ethical conduct in all business conducted by the Department. Most importantly, Department employees must understand that they will be held accountable for their actions, with meaningful penalties for violating the trust of the American public. Secretary Salzar has already signaled all this as a priority under his watch.

### **Management of Leases and Royalties**

The Bureau of Land Management (BLM) manages 258 million surface acres of public lands located primarily in the Western United States, including Alaska. BLM also manages 700 million acres of below-ground minerals located throughout the country. MMS manages oil, natural gas, other mineral resources, and ocean energy on the outer continental shelf. MMS also collects, accounts for, and disburses revenues from both offshore and onshore mineral leases located on federal and Indian lands.

We recently completed an evaluation at the request of Chairman Dicks, concerning the status of non-producing federal oil and gas leases. In addition to some very challenging data integrity and lease oversight issues, we found that BLM and MMS need to develop much clearer policy concerning the expectations of production of oil and gas on federal lands. We recommended that the Department consult with Congress in this regard. We are presently conducting an audit of MMS' process for verifying oil volumes delivered as RIK, including oil destined for the Strategic Petroleum Reserve. Another ongoing review is the status of the recommendations advanced to MMS by the Royalty Policy Committee in 2007. At the request of MMS, we have expanded this review to include OIG and GAO recommendations. MMS estimates that there are approximately 200 recommendations by these three entities, some of which overlap and some that outright conflict with one another. In addition, we have several law enforcement efforts ongoing concerning underpayment of royalties. We have queued up evaluations of the onshore lease auction process that BLM employs, the Inspection and Enforcement Program for onshore leases, and the wind and solar energy programs for the near future.

### **Financial and Business Management**

The Department of the Interior manages an annual appropriation of \$16.7 billion, revenues of \$12 to 24 billion annually from onshore and offshore mineral leases, and \$3.3 billion in funds held in trust.

Based on the annual financial audit results for DOI, the size of the financial management program, and issues associated with implementing a new Financial and Business Management

System (FBMS), the area of financial management has remained a top management challenge for the Department over the past five fiscal years. In years past, financial audit findings for significant deficiencies, material weaknesses and noncompliance with laws and regulations have signaled problems in DOI's financial management. Although these problems continue, the number of findings has decreased in recent years. The funding for FBMS and its full implementation remain a significant challenge, however, and absent the FBMS solution, a number of costly and difficult to secure mainframe standalone systems and programs continue to be used across the Department for financial management, making budget and performance integration particularly difficult. From 2002 to 2007, 72 of the Department's programs were assessed by Office of Management and Budget (OMB), but only eight of those programs (11%) were rated effective due to lack of reliable performance measures. The OIG reviews programs with results-not-demonstrated and gives the respective Bureau management key actions and suggestions to further strengthen management of the programs.

The complete implementation of a functional FBMS and funding for the FBMS effort are significant challenges for DOI. The current systems do not provide timely financial and performance information, and do not comply with financial system standards. About 160 systems are being affected by the FBMS implementation. Operational problems plague the system, however, which has caused the Department to revise its implementation date from fiscal year 2008 to fiscal year 2012. Funding for the next fiscal year may not be adequate to completely fund the next phase of deployment. In addition, Congress has proposed reductions in the amount of funds requested by the Department for the project. Lack of adequate funding could result in a reduction in the scope of work for the next fiscal year and may extend the project completion date beyond fiscal year 2012.

## IT Security

The DOI information technology annual budget is approximately \$1 billion for an expansive infrastructure of networks, hardware, and software programs. DOI's systems and data are used to manage its business processes, and provide the public with access to information on government programs such as National Parks, grazing rights permits, royalty collections, monitoring of wildland fires, earthquakes, tsunamis, and volcanic activity. Our evaluations have revealed that the Department has failed to uniformly implement effective security controls to reasonably assure protection of its networks and data.

While the Department's Enterprise Services Network infrastructure provides solid perimeter security for the Department's network, lack of controls within individual applications and systems undermines the Department's efforts to secure its data. In the 4<sup>th</sup> quarter of FY 2008, Interior had twelve IT projects on the OMB's High Risk List.

In 2008 our evaluation of the current status of efforts to protect Personally Identifiable Information demonstrated that the Department had limited capability to protect its sensitive information. Lack of Departmental oversight, coupled with inadequate incident detection and response capabilities, put the Department's data at substantial risk.

Between fiscal years 2001 and 2007, the Department repeatedly received failing grades from the House of Representatives Committee on Oversight and Government Reform on its compliance with the Federal Information Security Management Act (FISMA), falling below government-wide averages 6 out of 7 consecutive years. We conduct an annual evaluation of IT

security at DOI as mandated by FISMA. In FY2007, we warned that “the DOI information security program has not been consistently implemented throughout the Department and the resulting weaknesses hinder achievement of full compliance with FISMA.” In FY2008, we concluded that “[u]ntil the Department fundamentally changes its approach to managing its information security program and centralizes, at least, key elements of information security management under the Department Chief Information Officer; it is unlikely the Department will achieve and sustain meaningful improvements in its information security program.”

In May 2008, we issued a report summarizing our longstanding concerns about the management of Information Technology programs and security at DOI. We concluded that some sweeping measures are necessary to effectively address IT security Department-wide:

- Realign bureau-specific IT personnel under the purview of the Department CIO.
- Realign all IT funding under the purview of the Department CIO.
- Organize the IT programs along technology and security boundaries rather than along organization boundaries. For example, create a Deputy CIO for infrastructure rather than a Deputy CIO for Bureau A.
- Manage all IT projects under the purview of the Department CIO.

### **Procurement and Financial Assistance**

The Department of the Interior procurement and financial assistance awards in fiscal year 2008 exceeded \$5 billion, which represents over one-fourth of the total DOI budget. These

awards were made by ten different Bureaus and offices and included \$3.5 billion in contracts to over 19,000 contractors, and more than \$1.7 billion in federal assistance to over 2,300 recipients. The Office of Inspector General has identified procurement and financial assistance as one of the top management challenges for the Department. As such, we dedicate significant resources to reviewing the adequacy of DOI and Bureau policies and procedures as well as conducting investigations and reviews. We have found that procurement, contracts, and grants have historically been subject to considerable fraud and waste and that their management is a continuing challenge.

Our recent reports and advisories have identified deficiencies in the full spectrum of procurement and financial assistance management functions. The four areas of repeated observations are lack of pre-solicitation planning, a lack of competition, selection of inappropriate award vehicles, and poor administration of contracts and grants. The Department's two acquisition centers managed by the National Business Center (NBC) – GovWorks and the Acquisition Services Division, Southwest Branch – have been the subject of OIG findings that have caused serious problems for other Departments utilizing NBC's procurement services, such as the Department of Defense. Our work in this area has also identified significant problems in non-procurement instruments such as concession contracts and lease agreements.

The Department's challenge in managing procurement and financial assistance awards is going to be exacerbated as it is called upon to administer nearly \$4 billion in ARRA funds. Our office is committed to assisting the Department in its management of these funds. We have issued the first of what will likely be many Critical Point Evaluation (CPE) reports, in which we provide recommendations and offer assistance to prevent fraud and waste, as opposed to detecting it at a later date. The CPE is a tool that allows us to engage with DOI leaders in the

planning phase of an initiative and work cooperatively to correct identified weaknesses that may result in future program failures. Stepping outside of the traditional OIG paradigm, we believe this prevention approach is critical to effectively distributing and accounting for ARRA funds, as well as tracking the results of the expenditure of those funds. We have performed several CPEs previously with National Park Service Concession Contracting, the National Park Service Centennial Challenge, and the Minerals Management Service Coastal Improvement Assistance Program. Additionally, we have provided input to the Department on proposed acquisition policy changes and recommended improvements to critical programs such as suspension and debarment, a program that is woefully lacking at DOI.

To improve the procurement and financial assistance programs, DOI leadership must emphasize compliance with federal procurement and financial assistance policies. Training for Contracting Officers and Grant Managers is critical to develop the skills necessary to effectively manage pre-solicitation planning, competition, proper selection of the award vehicle, and administration. There is also an urgent need to breathe life into the suspension and debarment program. This program, which excludes irresponsible contractors from receiving future awards, is highly effective when properly administered. A robust suspension and debarment program would do much to protect the integrity of DOI procurement and financial assistance programs.

### **Health, Safety, and Maintenance of Property**

Each year, over 500 million people visit the Department's national parks and monuments, wildlife refuges, and recreational sites. The Department is responsible to serve these visitors, and to maintain and protect thousands of facilities and millions of acres of property. The



physical isolation of some Department lands and facilities presents unique vulnerabilities and makes safety and maintenance a challenge for the Department. Our work has documented decades of maintenance, health, and safety issues that place DOI employees and the public at risk.

DOI is also responsible for the protection of diverse national icons and infrastructure such as the Washington Monument, the arch in St. Louis, and the Hoover Dam. Our review of efforts to reduce the threat to national icons and monuments found that the U.S. Park Police has failed to establish a comprehensive security program and lacks adequate staffing and formal training for those responsible for protection. Our evaluation of protection of the nation's dams revealed that while the Bureau of Reclamation had made considerable strides in establishing a security program, opportunities for improvement remain in the security of our Nation's dams.

The Department also holds assets such as roads, bridges, schools, office buildings, irrigation systems, and reservoirs. Repair and maintenance of some of these assets have been long postponed due to budgetary constraints. The Department refers to these unfunded repair and maintenance needs as deferred maintenance. The Department's current estimate to correct deferred maintenance ranges from \$12.6 billion to \$17.8 billion. Many of these deferred maintenance issues also cause health and safety hazards. For example, in 2006 we found an NPS visitor center that was literally falling apart, severe deterioration at BIE elementary and secondary schools, and FWS employees working for almost seven years in two buildings that were condemned and closed to the public. Likewise, in 2005 we found two dilapidated airplane hangars that were readily accessible to the public, but presented significant safety risks. Another recent report concluded

that the poor physical conditions at storage facilities compromised valuable museum artifacts and adversely affected the use of the collection for research and cultural education.

Land managed by the department has also been found to have hazards for the public. Abandoned mines on DOI lands, primarily in western states, have dangerous safety and environmental hazards. We identified abandoned mines where members of the public had been killed, injured, or exposed to dangerous environmental contaminants. Growth of the population and use of off-road vehicles in the West require a workable approach to mitigate numerous public threats posed by abandoned mines throughout the West.

### **Indian Country**

Responsibility to American Indians has consistently been a top management challenge for DOI. DOI is charged with trust responsibility for 1.6 million American Indians, who are enrolled members of 562 federally recognized tribes. Major Indian country programs managed by DOI include: Indian Trust; Indian Education; Self-Determination; Energy and Economic Development; Indian Gaming; and Justice Services. Approximately 30% of OIG investigations involve Indian Country issues. The OIG has established an Indian Country Unit led by a senior investigative manager to provide oversight.

The Department manages about \$3.4 billion in trust funds. Within over 275 Indian reservations, DOI holds approximately 56 million acres of land in trust, and manages over 100,000 leases. DOI collects almost \$1 billion each year in combined individual Indian and tribal trust accounts. Although the Office of the Special Trustee for American Indians has made

progress in addressing internal control weaknesses over its management of trust funds, its annual financial statement audit remains qualified, and there was still a material weakness and significant deficiency in its 2008 audits.

The Bureau of Indian Education funds and/or operates 184 elementary and secondary schools and two post-secondary schools across the nation, providing services to some 50,000 students at the cost of about \$1 billion annually. OIG evaluations conducted in 2008 disclosed that BIA has failed to consistently perform background checks on Indian school employees and that it is woefully unprepared to address potential violence at BIE-operated educational facilities.

Indian gaming is a \$30 billion per year enterprise, operated in over 400 casinos by some 225 tribes in 28 states. The Department is responsible for determining whether Indian lands qualify for gaming, and must approve all class III gaming compacts between tribes and states.

The Office of Justice Services operates or funds over 190 law enforcement programs and over 70 detention facilities throughout Indian Country. In 2003, we conducted an assessment of the detention facilities, and uncovered a long history of neglect and apathy, which has resulted in serious safety and security deficiencies, many of which are still unaddressed today, nearly 6 years later.

DOI's responsibility to American Indians is daunting. The myriad problems we have uncovered portray programs that are sorely understaffed, underfunded and poorly managed. Over the last ten years, we identified gross program inefficiencies along with criminal conduct at many levels of Indian Affairs, but the greatest obstacle to reform is the leadership vacuum that has existed for nearly a decade. Assistant Secretaries have typically served for only 6-18 months, resulting in constantly shifting priorities and changing messages to Bureau employees and the American Indians they serve.

## **Land Exchanges and Acquisitions**

The Department of the Interior manages one fifth of the land of the United States including 391 national park units, and 548 wildlife refuges. The Bureau of Land Management (BLM) is the Nation's largest land manager with responsibility for 258 million acres of land across the west, as well as a vast 700 million acre onshore subsurface mineral estate. BLM and other Bureaus managing lands utilize land exchanges to acquire and dispose of lands in the public interest. As part of the land exchange process, professional appraisals are necessary to determine the market value of land. While not an exact science, appraisals should reflect nationally recognized standards including the Uniform Appraisal Standards for Federal Lands Acquisitions and the Uniform Standards of Appraisal Practice.

Our Office has had long standing concerns regarding the land exchange program, particularly with the validity of the appraisal process. In our audits of DOI land acquisition and land exchanges, which date back to 1992, we have identified significant problems with appraisals provided by non-federal parties, including property value estimates based on inaccurate size and condition, flawed assumptions about the highest and best use of the land, and dubious comparable sales analysis.

Dating back to the Tea Pot Dome scandal of the 1920's, exchange of land and interests in land (minerals rights) has been an area of concern. Two relatively recent OIG investigations demonstrated the significance of these concerns. In 2003, we investigated the proposed San Rafael Utah land exchange in which we discovered the Department negotiating away very substantial interests in oil shale, unauthorized devaluation of mineral rights, and inappropriate use of a consulting report to conclude an exchange of "approximately equal value." In 2005, we

investigated a controversial plan to block oil and gas drilling in Florida's Big Cypress preserve by buying subsurface mineral rights for \$120 million. While the intentions of the Big Cypress acquisition appeared to be to protect the Everglades, we found that the mineral resources had no significant value and the rights may have been previously purchased by DOI. As a result of our investigations, both of these proposed exchanges were stopped.

The San Rafael investigation resulted in the consolidation of all DOI real estate appraisal functions into a central Office of Appraisal Services. The structure was designed to ensure appraiser independence, ensure that appraisals meet recognized and professional standards, and enhance the reliability of DOI appraisals. This is a significant positive step, but due to the controversial nature of land exchanges, this remains a significant management challenge.

### **Insular Areas**

The DOI seeks to increase the Federal responsiveness to the unique needs of U. S. affiliated insular areas through the Office of Insular Affairs (OIA). OIA is tasked to improve the financial management practices of insular area governments, and increase economic development opportunities through financial and technical assistance. The budget for insular areas includes over \$300 million in payments to the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands, as well as an additional \$113 million in payments to Territories of Guam and the Virgin Islands. Overall, OIA annually funds insular area government programs that focus on education, health care, infrastructure improvement, public sector capacity building, private sector development, and the environment. Unfortunately,

the OIG has concluded, based on years of work, that the people of the insular areas are ill-served by their local governments and the OIA.

Our work has identified instances of public corruption and fraud relating to island governments and contractors paid with federal funding. Since 2006, the former director of the American Samoa Department of Education was sentenced for conspiring to commit fraud and bribery; the American Samoa Lieutenant Governor and a Territorial Senator were indicted for bribery, conspiracy, and fraud; and alarming mismanagement at the Virgin Islands Hospital resulted in the firing and indictment of the chief financial officer, chief executive officer, counsel, and board chair.

Our reviews have consistently pointed to problems that might have been mitigated had OIA provided adequate oversight and taken a more active approach to assist insular area governments. In 2008, our review of island-wide health care concluded that health care issues were at the crossroads of a total breakdown. Numerous reviews have pointed to ongoing management and financial problems in the insular areas and OIA that are symptomatic of problems identified across the insular areas including: OIA's management of grants; problems with water and wastewater systems; numerous and widespread incidences of noncompetitive procurements, tax collection problems, and significant deficiencies in property accountability and management.

In 2009, we plan to work with the Public Auditors for the insular areas to evaluate their education programs. We are also currently working on issues relating to law enforcement administration in the Virgin Islands. Additionally, we are evaluating OIA program management to determine if OIA has the proper organizational structure and resources to effectively assist the

insular area governments to gain their economic self-sufficiency and improve the quality of life for their people.

### **Law Enforcement and Security**

DOI has one of the largest Federal law enforcement workforces in the Executive Branch with over 4,000 commissioned law enforcement officers. They protect hundreds of millions of visitors, along with employees, volunteers, critical infrastructure facilities, icons, and monuments. Much of this activity is carried out by seven separate and distinct law enforcement programs managed by five bureaus. The Department's Office of Law Enforcement, Security, and Emergency Management (OLESEM) is a centralized office responsible for providing Departmental leadership, policy guidance, and oversight for these programs, as well as being the external point of contact for any department-wide law enforcement issues.

Our 2001 assessment found significant problems throughout DOI's law enforcement programs and identified improvements needed in the leadership, organization, control, and accountability. As a result of this assessment, the Secretary issued 25 Secretarial Directives to implement needed reforms. We have monitored the progress of the reforms with formal status reports, and a series of assessments. While progress has been made, significant improvements are still needed. OLESEM still struggles with issuing centralized policy and providing effective oversight. The Department also needs to implement an enhanced emergency radio and communication system for all DOI law enforcement and security officers.

This concludes my oral testimony today. I would respectfully request that my written testimony be accepted by the Subcommittee and made a part of the hearing record.

Again, I thank the Subcommittee for the opportunity to testify today on these issues of great import to the Department of the Interior. I would be glad to answer any questions you might have.