



**BUDGET** The United States  
Department of the Interior  
**JUSTIFICATIONS**

and Performance Information  
Fiscal Year 2008

**OFFICE OF THE  
INSPECTOR GENERAL**

NOTICE: These budget justifications are prepared for the Interior, Environment and Related Agencies Appropriations Subcommittees. Approval for release of the justifications prior to their printing in the public record of the Subcommittee hearings may be obtained through the Office of Budget of the Department of the Interior.

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSPECTOR GENERAL

FISCAL YEAR 2008 BUDGET JUSTIFICATION

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**Explanatory Note:**

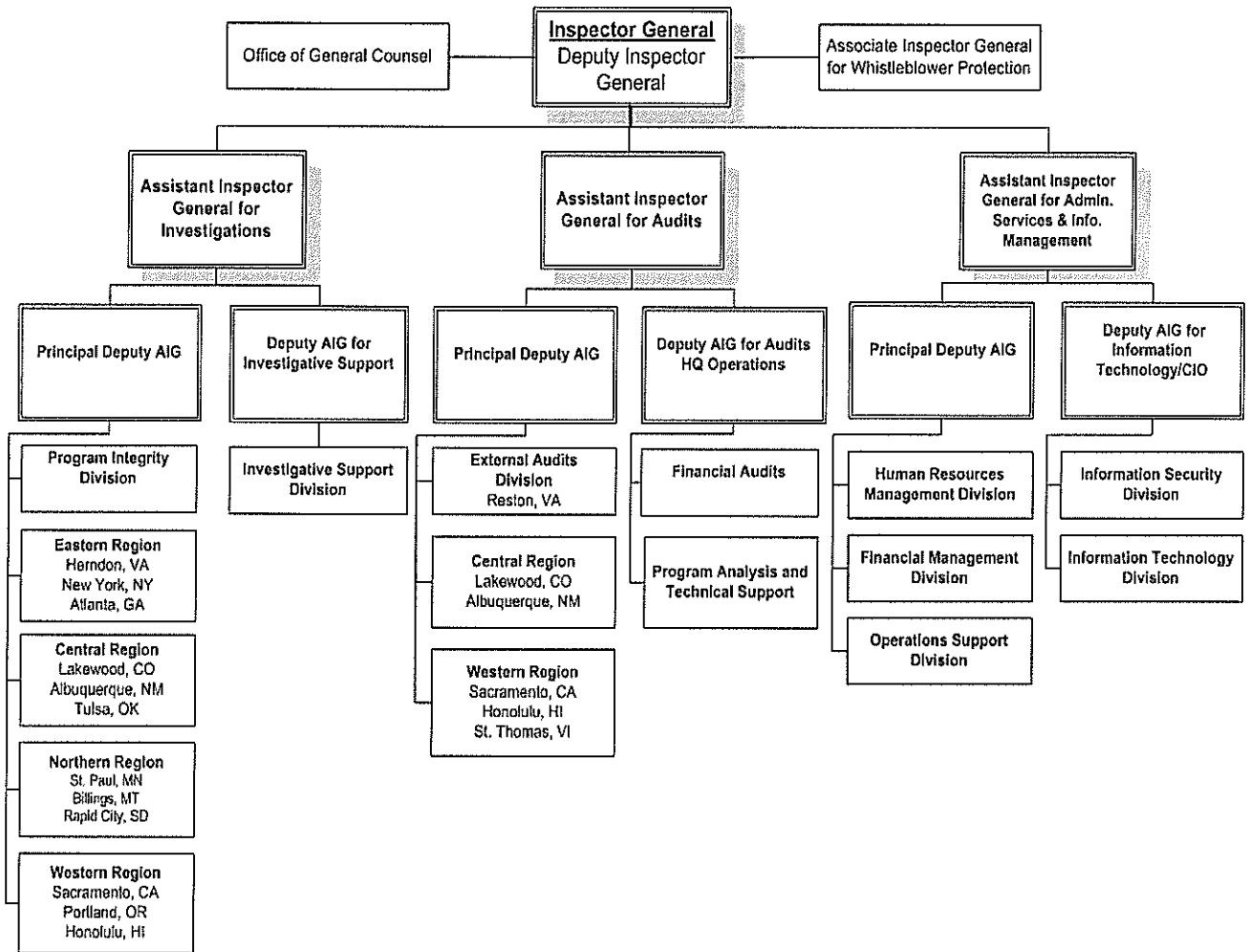
At completion of this 2008 budget justification, a 2007 appropriation had not yet been enacted and substantial uncertainty existed regarding the ultimate level that would be appropriated for 2007. Unless otherwise noted, 2007 information is reported as follows in this budget justification.

**"2007 CR" Column in Tables**

***Budget Authority:*** At the Bureau-level and Account-level, these amounts equal the annual rate provided under the authority of the third fiscal year 2007 Continuing Resolution, P.L.,109-383, effective through February 15, 2007. At lower levels of the budget structure (Activity, Subactivity, Budget Element, Budget Sub-element), line items are presented at the 2007 President's budget level, with non-add amounts presented at the Activity level conveying the impact of the continuing resolution. These non-adds have been allocated pro-rata based upon the 2007 President's budget.

***FTE:*** Full-time equivalents are presented similar to Budget Authority, but in addition have been updated to reflect adjustments for 2006 usage at all levels of the budget structure.

# OIG Organization Chart



**DEPARTMENT OF THE INTERIOR  
OFFICE OF INSPECTOR GENERAL**

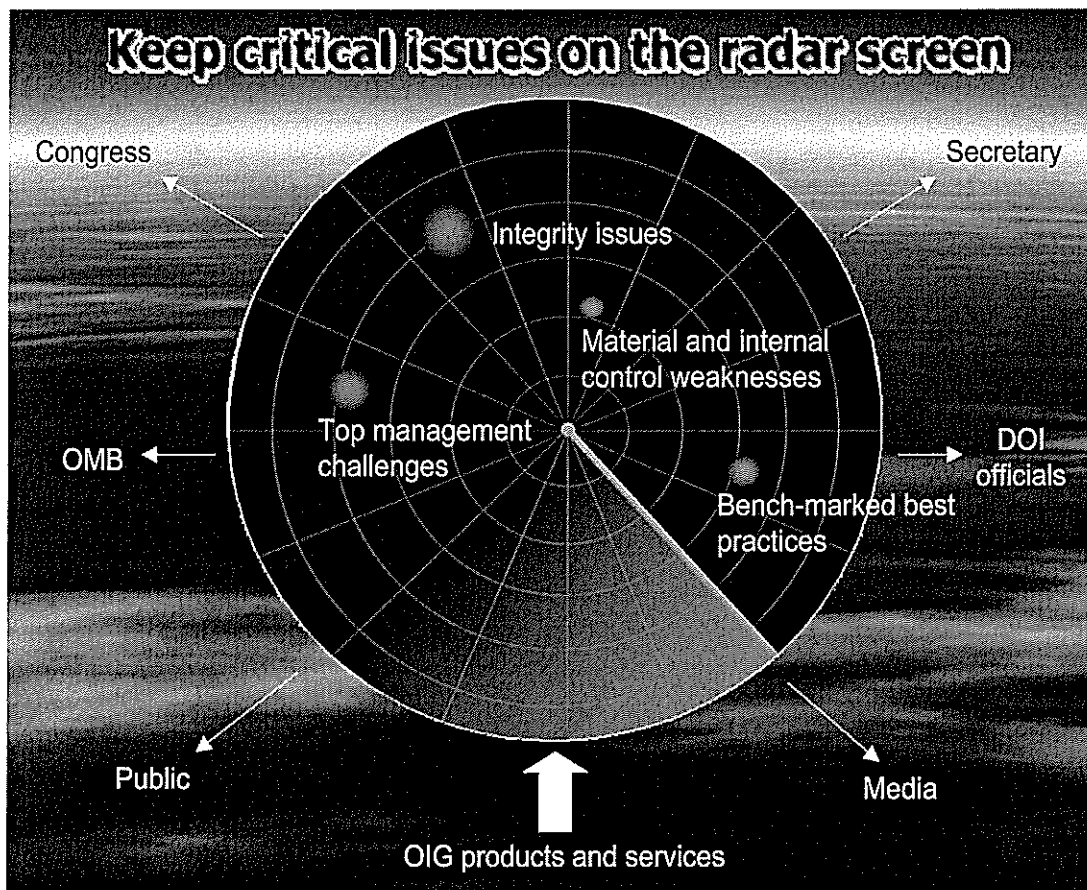
**GENERAL STATEMENT**

*The mission of the Office of Inspector General (OIG) is to promote excellence, accountability, and integrity in the programs, operations, and management of the Department of the Interior (DOI).*

The OIG is responsible for independently and objectively identifying risks and vulnerabilities that impact DOI's ability to accomplish its mission. The OIG is required to keep the Secretary and the Congress fully and currently informed about problems and deficiencies relating to the administration of departmental programs and operations. The OIG mandate addresses the public's demand for greater accountability and integrity in the administration of government programs and also addresses the demand for programs that work better, cost less, and get the results that Americans care about most.

The OIG targets the resources toward DOI's most serious management and program challenges, and high-risk areas vulnerable to fraud, waste, abuse, and mismanagement. The mission and its corresponding goals, objectives, and strategies are tied directly to DOI's major goals and responsibilities. The OIG's annual performance measures and targets are strategically chosen to ensure that the OIG is held accountable for keeping critical issues on the "radar screen" of decision-makers on a real-time basis. The measures and targets are also designed to gain greater insight into the impact of the recommendations and to show whether the intended outcome or results are being achieved. By continually highlighting critical issues and offering suggestions and recommendations as they arise, the OIG significantly increases the likelihood that DOI will achieve its desired short- and long-term outcomes and results.

The OIG accomplishes its mission by conducting audits, evaluations, investigations, and assessments relating to DOI's programs and operations. The OIG continues to develop new and innovative approaches for increasing the effectiveness of our products and services. At the same time, the Inspector General (IG) continues to elevate the OIG's internal standards of operation and to reassess the organizational structure so it best meets the needs of our customers. The IG continues to emphasize the need for a dynamic organization, escalating efforts to further empower staff to deliver superior and timely products and services, conduct more effective performance planning and measurement, and link resources with results for better decision making.



## **Program Overview**

The OIG plays an important role for the Department of the Interior. It is the OIG's responsibility to objectively and independently assess major issues that directly impact, or could impact, the Department's ability to accomplish its mission and to advise the Secretary, bureau leaders, and the Congress regarding actions that should be taken to address and resolve such issues.

The OIG addresses a broad spectrum of programs, issues, and problems through audits, evaluations, investigations, and assessments. These efforts cover a wide range of DOI's Bureaus and organizational activities, at thousands of locations throughout the world, involving tens of thousands of employees and a multi-billion dollar budget.

Using our modest budget, the OIG has continued to successfully address its significant oversight responsibilities. We have undertaken the investigation of major criminal cases relating to Indian lobbying and public corruption, which have strained the available resources and left little ability to respond to the many requests for assistance and hotline inquiries. We continue to review program areas important to the national energy policy, water supply for the west, land exchange in some of the nation's highest growth areas, maintenance and construction in national parks, Indian schools and tribal education, scientific evaluations relating to nuclear waste, and expenditures in Insular Areas stretching from the Virgin Islands to Guam and American Samoa.

The OIG continues to provide oversight of DOI's progress in addressing the President's Management Agenda (PMA) government-wide initiatives. In addition, the OIG recognizes that these initiatives can be the foundation for management excellence. In an effort to be a results-oriented organization, we are dedicated to improving our own internal management and performance processes to achieve our mission goals. The OIG frequently evaluates its own internal standards of operations, conducts performance reviews, and reassesses its organizational structure. The OIG also emphasizes the need for a dynamic, flexible organization that is guided by results and ties individual performance ratings to organizational performance.

The OIG's Strategic Plan and Annual Performance Plans are directly tied to DOI's major responsibilities, objectives, and its major management challenges. These plans are intended to provide a comprehensive vision for effectively managing our resources and allow us to focus on oversight of DOI's most serious management and program challenges.

Given the annual DOI IT budget of \$1 billion and the multi-million dollar IT infrastructure already in place, the OIG has implemented a state-of-the-art process to oversee, validate, and independently assess DOI's computer networks and systems. We are working with DOI to initiate a shift from a periodic to a continuous monitoring model that more realistically monitors real world threats to the DOI's IT infrastructure and data.

## OVERVIEW OF 2008 BUDGET REQUEST

### FY 2008 BUDGET REQUEST PACKAGE SUMMARY (dollars in thousands)

	2006 Enacted	2007 PB	2007 CR	2008 Request	2008 Request Change to 2007 CR
Salaries and Expenses	\$38,541	\$40,699	\$38,541	\$42,322	+3,781
FTE	261	261	261	261	\$0

#### FY 2007 Budget Request

The total FY 2008 funding request for the OIG is \$42,322,000. Our budget request is comprised of the following:

- An increase of \$1,623,000 for fixed costs.
- An increase of \$2,158,000 for the impact of the continuing resolution. The 2008 budget restores the priorities of the 2007 President's budget by funding 2007 programmed fixed cost increases and implementing the program enhancement and program reduction initiatives included in the 2007 President's budget.

#### Performance Budget Overview

The OIG's Strategic Plan and Annual Performance Plan are directly tied to the Department's major responsibilities and objectives and identify issues and recommended solutions to its most serious management challenges. The activities are designed to not only address key program weaknesses and vulnerabilities but also include efforts designed to educate departmental employees and managers on how to avoid and correct problems and weaknesses. Through audits, evaluations, investigations and assessments, the goal remains to improve the economy, efficiency, effectiveness, and integrity of the Department's programs by proactively detecting and preventing fraud, waste, abuse, and mismanagement.



## **Performance Budget**

### **Budgeting for Performance**

In the OIG's endeavor to be a results-oriented organization, the IG has established a formal monthly review process to maximize the efficient and effective use of resources. The budget base is translated into planned expenditure levels, and during our monthly reviews, the expenditure levels and results are evaluated to ensure they support the IG's highest priorities and budget efforts. Performance outcomes are assessed and obligation and expenditure rates are reviewed against the recommended goals. If the planned funding levels, which have been aligned with the IG's goals and objectives, are not spent according to the strategy, the IG will redirect the funds to ensure that the highest priority work is accomplished. The OIG utilizes Activity Based Cost (ABC) data as a key strategic performance management resource for monitoring business operations more accurately with the goal of improving business planning and decisionmaking.

Annually, the OIG assesses the program accomplishments and develops the budget justification submission to reflect the mission requirements. Accordingly, the FY 2008 budget request is a direct result of this thorough analysis of the budget base and reflects only those critical budget requirements that cannot be offset by internal program adjustments. The OIG Strategic Plan is the overarching framework for the performance budget. The Strategic Plan provides performance measures and targets and any changes to the OIG's strategic goals, the means and strategies used to achieve those goals, and key external factors.

### **Cost and Performance**

The OIG continues to use its ABC system, which was implemented in FY 2004, for management analysis and decisionmaking. This system captures and analyzes costs, which has enhanced the office's ability to quantify how mission requirements consume resources. It has been used as a tool for individual and managerial performance reviews. Specifically, combined with projected budgets, ABC was used to determine the workload in specific offices within the OIG, while realigning personnel through transfers to meet the workload identified through the ABC analysis. This has allowed the resources to be better aligned with the OIG strategic goals and work plans and to shift resources to maximize the dollars within the current appropriation.

Two years of ABC data are now available to assist managers' review of processes and procedures within each office and development of performance measures.

## OIG Performance and Results - Highlights

### **FY 2008 SUMMARY OF BUDGET CHANGES TABLE** **(dollars in thousands)**

Description	Budget
FY 2007 CR	\$38,541
Impact of CR	\$2,158
2007 President's Budget	\$40,699
Fixed cost changes	\$1,623
Total FY 2008 Request	\$42,322
Increase from FY 2007	\$1,623

#### **President's Management Agenda**

The OIG continues to provide oversight of DOI's progress in addressing the PMA government-wide initiatives. In addition, the OIG recognizes that these initiatives can be the foundation for management excellence. In an effort to be a results-oriented organization, the OIG is dedicated to improving its own internal management and performance processes to achieve mission goals. The OIG frequently evaluates its own internal standards of operations, conducts performance reviews, and reassesses the organizational structure. The OIG also emphasizes the need for a dynamic, flexible organization that is guided by results and ties individual performance ratings to organizational performance.

The OIG's Strategic Plan and Annual Performance Plans are directly tied to DOI's major responsibilities and objectives and its major management challenges. These strategic documents are intended to provide a comprehensive vision for effectively managing resources and making the most progress toward oversight of DOI's most serious management and program challenges.

#### **Strategic Management of Human Capital**

In FY 2006, the OIG continued to make great strides in the area of Human Capital. The OIG has in place a comprehensive Human Capital Strategy that aligns our human resources with OIG's mission and objectives. This strategic plan will ensure that the OIG can meet the required staffing needs over the next 5 years. In an effort to be prepared for the anticipated attrition of workers approaching retirement age, the OIG is focusing on the following key efforts to address this impending loss of talent as well as working to create an environment to attract new talent.

**Human Resource Planning.** The OIG has taken a proactive approach in human resource planning to ensure that the right mix of employees is in the right place with the right competencies to meet mission requirements. The OIG has developed a succession plan identifying key senior positions that will be vacated within the next 5 years so that we can prepare the next generation of future leaders. To prepare future leaders, the OIG established a formal leadership development program. This program provides future leaders with a formal mentor, required leadership or technical training, and a developmental assignment to strengthen/gain competencies. The OIG is confident that this program will help reduce attrition of top performers and will help prepare high potential employees for future critical leadership and technical positions.

**Attract and Retain Top Talent.** The OIG is committed to using flexibilities and benefits approved by Congress to help attract top talent. This includes the use of recruitment, relocation, and retention bonuses. The OIG is also encouraging the use of Work/Life Balance initiatives, including the use of alternative work schedules and teleworking. The OIG is actively working to replenish the workforce with promising college graduates through the Federal Career Intern Program. Adding entry level positions into the workforce will ensure there is an appropriate mix of employees as well as infusing fresh, new ideas into the organization. Furthermore, to understand why employees are leaving the OIG, the OIG has developed an electronic exit survey and is monitoring comments and developing plans to improve the organization as a whole.

**Training and Development.** The OIG is taking an aggressive role in employee training and development which is also a key to retaining top talent. The OIG understands that creating an atmosphere that encourages continuous learning will help employees to do the job better as well as help them prepare for future responsibilities and challenges.

**Performance Management.** The OIG has recently improved the performance management system to clearly distinguish high performing employees from average and below average employees. This system will reward top performers and address performance problems. Furthermore, from this realistic assessment of employee performance, the OIG will develop individual training and development strategies to help employees meet organizational goals.

**Performance Measures.** The OIG has developed Human Resources Performance Measures to determine the efficiency and effectiveness of the HR organization. The OIG will be monitoring the performance relating to recruitment, selection, recognition, retention, employee relations, performance management and training and development. This valuable information will help to devise improvement strategies to ensure the OIG meets the organizational and human capital goals.

#### **Financial Performance**

The OIG audits office oversees the Department's annual financial audit. As a recognized leader of innovative system implementation, the OIG's Financial Management Division continues to set the pace with respect to accountability, effectiveness, and efficiency. The OIG oversees the Department's annual financial audit and uses this information to develop top management priorities for the Department and to select areas for auditing.

**Expanding E-Government**

As part of our IT security evaluations, the OIG continues to assess factors that relate to the security of OIG led E-Government efforts. The OIG evaluates DOI's implementation of the administration's E-Government initiatives to integrate agency operations and IT investments. The OIG has made recommendations to improve security of the DOI managed E-Government sites.

The OIG contributes \$15,300 to support the President's E-Government initiatives. This amount is paid into the Department's Working Capital Fund Account, and costs are distributed based on relative benefits received by each bureau. The Department-wide Programs budget justification includes amounts for each initiative and describes the benefits received from each E-Government activity.

## OIG 2008 PERFORMANCE SUMMARY

### **Performance Plan and Measures**

The OIG accomplishes its mission by conducting audits, evaluations, investigations, and assessments relating to DOI's programs and operations. We believe that to be effective and to make a positive contribution to DOI's ability to achieve its mission, we need to educate and inform rather than simply criticize. We are dedicated to providing products and services that present viable opportunities to improve DOI's ability to perform its mission, and encourage responsible officials to take the appropriate action.

The written products we generate offer recommendations, suggestions, and examples of best practices to assist DOI and its bureaus in improving operations and maximizing value to the American taxpayer. We focus resources on high risk areas, target cross-cutting or Department-wide issues, and concentrate on the most serious management and program challenges. Ultimately, we contribute to mission results by producing reports with recommendations that influence programmatic and systemic change, and result in prompt and effective action by the Department.

During the year we track cost and performance data to evaluate our progress in achieving specific program performance goals. In order to measure our accomplishments, we look beyond statistics, such as questioned costs, arrests, and convictions and look at the impact of our recommendations. We measure certain indicators to gauge our overall progress toward desired short- and long-term outcomes. Our performance measures are designed to reflect the Inspector General's highest priorities, and provide information to inform budget and management decisions.

## Key Performance Measures and Indicators

The following Performance Measurement charts reflect the OIG's Performance Plan and Results for FY 2008:

### **Audits and Evaluations: Description of Measures**

End Outcome Measures	Basis for Measures
Timeliness/All Audit Products Completed Within 1 Year	Ensures that audit products are timely and meaningful to current conditions. All audit products and evaluations are completed within 1 year.
Audit and Evaluation Selection	Focuses efforts on Department-wide discretionary audits and evaluations as delineated in the OIG's strategic plan to ensure that audits and evaluations have the widest impact on the Department. Percentage of audits/evaluations that are multi-bureau.
Past Audit Recommendations Implemented	Verifies that the Department effectively implements recommendations in a timely fashion. Implementation of recommendations is a critical part in determining the effectiveness of audit activities and ensuring adoption of corrective actions.
Notice of Findings	Ensures that completed audits have resulted in a notice of findings.

### **Audits and Evaluations: Performance Plans and Measures**

End Outcome Measures	2005 Actual	2006 Actual	2007 Target	2008 Target	Change in Performance 2007 to Target 2008
Timeliness/All Audit products completed within 1 year	73%	78%	92%	95%	+3%
Audit and Evaluation Selection	87% discretionary 71% discretionary Dept-wide	72%	74%	75%	+1%
Past Audit recommendations implemented	31 verifications	53 verifications	36 verifications	36 verifications	--
Notice of Findings*	--	65%	68%	72%	+4%

\*New Performance Measures (2006-2008)

### Investigations: Basis for Measures

End Outcome Measures	Description of Measures
Investigations Related to OIG Top Management Challenges	Ensures that investigative efforts initiated within the fiscal year targets the Department's most serious management and program challenges, and high-risk areas vulnerable to fraud, waste, abuse, and mismanagement.
Management Advisories	Designed to alert Department management on how to prevent future crimes and mismanagement. Management advisories are produced and disseminated from the applicable closed investigations within a given fiscal year.
Annual Program Integrity (PI) Assessments	Assesses the Department's law enforcement and security programs to determine if they are running efficiently and effectively so as to protect natural resources, national icons, and Department employees.
Customer Satisfaction	Ensures that investigative activities are professional and timely. It is important that reports are well-crafted and easily understood so that DOI managers can comprehend the investigative results and act on recommendations.
Timeliness	Determines timeliness by the percentage of cases (non-judicial) opened/closed within 1 year.
Proactive Investigations	Assesses proactive investigations by the percentage of investigations in targeted criminal activity.
Investigative Results	Determines investigative results by the percentage of cases resulting in criminal conviction, civil, administrative action, or other appropriate resolution.

### Investigations: Performance Plans and Measures

End Outcome Measures	2005 Actual	2006 Actual	2007 Target	2008 Target	Change in Performance 2007 to Target 2008
Investigations Related to OIG Top Management Challenges**	86%	--	--	--	--
Management Advisories	12%	14%	20%	25%	+4%
Annual Program Integrity (PI) Assessments**	1	--	--	--	--
Customer Satisfaction**	94%	--	--	--	--
Timeliness*	--	65%	70%	80%	+10%
Proactive Investigations*	--	24%	30%	35%	+5%
Investigative Results*	--	78%	78%	80%	+2%

\*New Performance Measures (2006-2008)

\*\*Measure annotated with 2 asterisks are being eliminated and replaced with new measures.

### Administrative and IT Business Areas: Basis for Measures

End Outcome Measures	Description of Measures
Customer Satisfaction in Human Resources	Ensures that Human Resources Management Division's products and services are professional and timely. These products and services are critical in supporting our workforce infrastructure by providing all aspects of human resource guidance and support to managers and employees.
Travel Vouchers Turned Around in 3 Days	Measures the timeliness of turning around travel vouchers to our customers. With the high volume of travel by OIG employees, prompt travel voucher payments are needed so that employees can pay their credit card balances.
All Vendors Bills Paid on Time	Measures the timeliness of paying vendors in accordance with the Prompt Payment Act.
Customer Satisfaction in Information Technology	Ensures that Information Technology Division's products and services are provided professionally and timely. IT services are critical tools that enable auditors and investigators to achieve results in the OIG's core activities.
Customer Satisfaction in Procurement and Facilities	Ensures that procurement and facility activities are professional and timely. This measure monitors the success of getting the necessary supplies and equipment to employees that are needed to get their job done.
Human Resources	Ensures an efficient HR organization by assessing the average number of days to deliver a certification to the requesting office.
Finance	Ensures that financial operations are efficient by determining the percentage of delinquent accounts resolved in less than 60 days.
Information Technology	Ensures IT issues are resolved by measuring the percentage of all help desk items resolved in 8 hours.
Information Security	Assesses the percentage of IT evaluations completed within 180 days.
Operational Support	Assesses the average number of days to complete an approved small purchase.

### Administrative and IT Business Areas: Performance Plans and Measures

End Outcome Measures	2005 Actual	2006 Actual	2007 Target	2008 Target	Change in Performance 2007 to Target 2008
Customer Satisfaction in Human Resources**	92%	--	--	--	--
Travel vouchers Turned around in 3 days**	98%	--	--	--	--
All vendors bills paid on time**	100%	--	--	--	--
Customer satisfaction in Information Technology **	96%	--	--	--	--
Customer satisfaction in procurement and facilities**	89%	--	--	--	--
Human Resources*	--	60 days	45 days	30 days	-15 days
Finance*	--	80%	85%	90%	+5%
Information Technology*	--	97%	98%	99%	+1%
Information Security*	--	90%	92%	95%	+2%
Operational Support*	--	6 days	4 days	2 days	-2 days

\*New Performance Measures (2006-2008)

\*\*Measure annotated with 2 asterisks are being eliminated and replaced with new measures.



## ***OIG RESULTS***

The OIG addresses a broad spectrum of programs, issues, and problems through audits, evaluations, investigations, and assessments. These span the work of all DOI's Bureaus and organizations with nearly 70,000 employees and a multi-billion dollar budget. A few specific examples include:

➤ **Illegal Activities by Public Officials**

For the past 3 years the OIG Office of Investigations devoted significant resources working a joint investigation with the Federal Bureau of Investigation and the Internal Revenue Service regarding the illegal activities of certain prominent Washington, DC, lobbyists and public officials. To date, several individuals have pleaded guilty as a result of this investigation. In addition, the OIG is continuing investigations on former senior Department officials and Members of Congress who may have been engaged in illegal activities or, at minimum, efforts were made to improperly influence their official actions.

➤ **IG Testifies on Oil and Gas lease Issues**

The OIG had been asked by several Members of Congress to investigate the circumstances surrounding the exclusion of legal provisions identifying price thresholds that trigger royalty payments on certain deep-water oil and gas leases on Federal lands in the Gulf of Mexico. This investigation is ongoing. However, the IG was asked to provide the Subcommittee on Energy and Resources of the Government Reform Committee, House of Representatives, with a status update. The IG's prepared statement is located on the OIG Web site ([www.doioig.gov](http://www.doioig.gov)) under "congressional testimony." In addition to the issue of royalty payments, the testimony and subsequent questioning by the Subcommittee dealt with the general topic of accountability and ethics by DOI officials.

➤ **DOI Contracting on Behalf of Department of Defense**

The National Defense Authorization Act for Fiscal Year 2006 required that the Department of Defense Office of Inspector General (DODIG) work with the other Inspectors General to review procurement policies, procedures, and internal controls, as well as their administration, for all agencies processing more than \$100 million of procurements for DOD. Overall, we found that neither GovWorks nor Southwest Branch complied fully with legal requirements, federal acquisition regulations, and DOD supplemental requirements. In fact, the contracting centers routinely violated rules designed to protect U.S. Government interests and the public trust. These actions put DOI at risk for Antideficiency Act violations, acquisition center loss of business, and loss of public confidence and trust.

➤ **Minerals Management Service's (MMS) Compliance Review Process**

At the request of the U.S. Senate Committee on Energy and Natural Resources, we audited concerns raised by the media and the State and Tribal Royalty Audit Committee (STRAC) about MMS' increasing use of compliance reviews as part of its Compliance and Asset Management Program (CAM). Historically, MMS has relied on audits to verify companies' reported royalties. In the late 1990s, MMS began reengineering its royalty verification processes, which included the establishment of the compliance review process. While we concluded that compliance reviews can be an effective part of MMS' CAM Program, our audit disclosed weaknesses that may prevent MMS from maximizing the benefits of the compliance reviews. We found the information MMS used to evaluate the CAM Program's effectiveness was not reliable and prevented MMS from maximizing program benefits. Our audit disclosed some areas where the compliance review process should be strengthened. For example, MMS should strengthen procedures to assess the reasonableness of reported volumes and allowances, document the rationale for determining thresholds for pursuing potential underpayments, improve adherence to quality control procedures, and use risk-based criteria for selecting companies for CAM program coverage. Additionally we found that MMS should reassess and revise the CAM Program's Government Performance and Results Act performance measures.

➤ **Review of Internet Use Reveals Excessive Indulgences**

Our review of DOI personal Internet use found that employees continue to access sexually explicit and gambling Web sites despite being specifically prohibited from doing so by federal regulation and DOI policy. Furthermore, while not specifically prohibited, computer users spent significant time at Internet auction and online gaming Web sites, costing an estimated 104,221 hours in potentially lost productivity annually. These activities expose DOI to threats of compromised system integrity, increased risk of legal liability, and potential public embarrassment. Although some computer users have been disciplined for policy violations, the number of disciplinary actions are minimal compared to the level of activity we found. This suggests that computer users inappropriately access the Internet without fear of consequence. We believe that misuse of DOI Internet resources will continue and possibly increase without strong and effective controls.

➤ **Everglades Project Audit**

An OIG audit found that DOI has not participated effectively in the modified waters delivery to the Everglades National Park project. DOI participation has been ineffective because it neither developed and communicated a comprehensive, unified restoration strategy, nor clearly defined its project consultation role. These oversights contributed to project delays and cost increases. Since its inception, the project has been subject to significant delays and escalating costs. It is currently 8 years behind schedule and has a projected price tag approaching \$400 million – nearly five times its original estimate. OIG auditors made six recommendations aimed at ensuring that DOI effectively participates in the modified water deliveries to the Everglades National Park project.

➤ **Slow Progress Implementing Law Enforcement Reforms**

As part of our ongoing examination of DOI's law enforcement programs, we issued our second report detailing the progress made toward implementing the Secretary's July 2002 directives for law enforcement reform. Once again, our review found that the pace of implementing these directives remains slow. Nearly 4 years after the directives were issued, only 9 of the 25 have been fully implemented. DOI and its bureaus have improved the coordination and accountability within law enforcement programs. Actions include creating senior-level law enforcement and security positions; implementing a formal budget review process; and developing law enforcement, security, and emergency management policies for all of DOI. Although well intentioned, DOI's Office of Law Enforcement, Security, and Emergency Management continues to struggle with its policy and oversight role as this impacts bureau law enforcement, security, and emergency management programs.

➤ **Fort Huachuca – Fee-For-Service Organizations Evaluation**

Recent audits at DOI and other Federal agencies highlighted concerns with interagency procurement services performed through fee-for-service organizations. Specifically, DOI and other organizations providing these services failed to follow procurement laws and regulations. This created significant consequences for both service providers and recipients. The problem came to light for DOI with the discovery that, in fiscal year 2004, the National Business Center (NBC) inappropriately acquired interrogation services for the Department of Defense (DOD) using an information technology contract. OIG evaluation results provided DOI management with information to determine the benefits versus the risks of fee-for-service organizations. We identified fee-for-service organizations within DOI that provide administrative and technical activities for other Federal agencies and identified the benefits of those activities.

➤ **IT Security**

The annual 2005 OIG Federal Information Security Management Act (FISMA) evaluation assessed DOI's compliance with FISMA and identified significant weaknesses in its IT security program. Fiscal year 2005 audits, evaluations, and technical testing of these systems revealed issues with implementation of various departmental policies and noncompliance with OMB requirements for Certification and Accreditation (C&A). Additionally, problems in DOI's overall Plan of Actions & Milestones program, which is a critical element for managing and prioritizing remediation activities, indicated that DOI management cannot be assured that IT security risks are properly identified, understood, prioritized, and mitigated. Indeed, penetration testing of DOI's wide area networks and applications revealed poor network and application security, inadequate network segmentation, and poor security configurations. These have the potential to make DOI vulnerable to unauthorized access from internal and external threats. Recently, DOI has issued several directives and a number of initiatives to correct these issues.

**2008 Budget At a Glance**

<b>2008 Budget at a Glance</b> (dollars in thousands)					
	<b>2006</b>	<b>2007</b>	<b>Fixed Costs</b>	<b>Program</b>	<b>2008</b>
	<b>Actual</b>	<b>CR</b>	<b>Changes</b>	<b>Changes</b>	<b>President's</b>
Appropriation:					<b>Budget</b>
<b>Audits</b>	16,725	17,748	600	0	<b>18,348</b>
Impact of CR (non-add)		[-941]		[+941]	
<b>Investigations</b>	14,130	14,728	653	0	<b>15,381</b>
Impact of CR (non-add)		[-781]		[+781]	
<b>ASIM</b>	7,686	8,223	370	0	<b>8,593</b>
Impact of CR (non-add)		[-436]		[+436]	
<b>Subtotal</b>	<b>38,541</b>	<b>40,699</b>	1,623	0	<b>42,322</b>
<b>Impact of CR</b>		<b>-2,158</b>		+2,158	
<b>Total Account:</b>	<b>38,541</b>	<b>38,541</b>	+1,623	+2,158	<b>42,322</b>

**Justification of Program and Performance by Activity**

**OFFICE OF AUDITS**  
**(dollars in thousands)**

	FY 2006 Actual	FY 2007 CR	Fixed Costs (+/-)	Program Change (+/-)	FY 2008 Budget Request	Change from FY 2007 (+/-)
\$(000)	\$16,725	\$17,748	\$600	\$0	\$18,348	\$600
FTE	104	104	--	0	104	0
Impact of CR [Non-Add]		[-941]		[+941]		

**Summary of FY 2008 Program Changes for Audits**

Impact of CR (non-add) [-941]

Total FTE Impact 0

**Program Overview**

The Office of Audits (OA) conducts independent audits and evaluations, which measure DOI programs and operations against best practices and objective criteria to determine if the programs and operations are effective and efficient, achieve the desired results, and/or operate in accordance with laws and regulations. The OA provides oversight of the audit of DOI financial statements to determine if they are presented fairly and are in accordance with accounting principles. OA also reviews DOI grants and contracts awarded to state, local, federally-recognized Indian tribes, and Insular area governments; for-profit and non-profit organizations; and educational institutions to determine if services have been provided in accordance with the agreements and if costs incurred are eligible for DOI reimbursement.

The 2008 budget request for the OA is \$18,348,000, an increase of \$600,000 for fixed costs.

**Impact of 2007 Continuing Resolution (-941,000)**

The 2008 budget restores the priorities of the 2007 President's budget by funding 2007 programmed fixed cost increases and implementing the program enhancement and program reduction initiatives included in the 2007 President's budget.

**Justification of Program and Performance by Activity**

**OFFICE OF INVESTIGATIONS**

**(dollars in thousands)**

	FY 2006 Actual	FY 2007 CR	Fixed Costs (+/-)	Program Change (+/-)	FY 2008 Budget Request	Change from FY 2007 (+/-)
\$(000)	\$14,130	\$14,728	\$653	\$0	\$15,381	\$653
FTE	95	95	--	0	95	0
Impact of CR [Non-Add]		[-781]		[+781]		

**Summary of FY 2008 Program Changes for Investigations**

Impact of CR (non-add) [-781]

Total FTE Impact 0

**Program Overview**

The Office of Investigations (OI) conducts, supervises, and coordinates investigations relating to the programs and operations of DOI. OI investigates matters regarding waste, fraud, and abuse or inefficiency in departmental programs and operations. The responsibilities of this division include investigations of: allegations of fraud, waste, abuse, or mismanagement resulting in a significant dollar amount loss to the government; misconduct by employees with access to or responsibility for monies or financial systems, regardless of dollar amount and regardless of grade; and allegations involving contractors, grantees, or any other entities doing business with, making payments to, or receiving funding from the DOI.

The 2008 budget request for the Office of Investigations is \$15,381,000, an increase of \$653,000 for fixed costs.

**Impact of 2007 Continuing Resolution (-781,000)**

The 2008 budget restores the priorities of the 2007 President's budget by funding 2007 programmed fixed cost increases and implementing the program enhancement and program reduction initiatives included in the 2007 President's budget.

**Justification of Program and Performance by Activity**

**Administrative Services & Information Management (ASIM)**  
(dollars in thousands)

	FY 2006 Actual	FY 2007 CR	Fixed Costs (+/-)	Program Change (+/-)	FY 2008 Budget Request	Change from FY 2007 (+/-)
\$(000)	\$7,686	\$8,223	\$370	\$0	\$8,593	\$370
FTE	62	62	--	0	62	0
Impact of CR [Non-Add]		[-436]		[+436]		

**Summary of FY 2008 Program Changes for ASIM**

Impact of CR (non-add) [-436]

Total FTE Impact 0

**Program Overview**

The Administrative Support and Information Management Division (ASIM) provides all of the facility, acquisition, property management, human resource, financial management, and information technology support necessary for the Offices of Audits and Investigations to carry out their primary missions.

The 2008 budget request for ASIM is \$8,593,000, an increase of \$370,000 for fixed costs.

**Impact of 2007 Continuing Resolution (-436,000)**

The 2008 budget restores the priorities of the 2007 President's budget by funding 2007 programmed fixed cost increases and implementing the program enhancement and program reduction initiatives included in the 2007 President's budget.

**Summary of Requirements  
Comparison by Activity/Subactivity  
(dollars in thousands)**

<i>Comparison By Activity/ Subactivity</i>	<i>FY 2006 Actual</i>		<i>FY 2007 CR</i>		<i>Fixed &amp; Related Costs &amp; Program Changes</i>		<i>FY 2008 Budget Request</i>		<i>Increase (+) / Decrease (-) from FY 2007 CR</i>	
	<i>FTE</i>	<i>Amount</i>	<i>FTE</i>	<i>Amount</i>	<i>FTE</i>	<i>(+/-)</i>	<i>FTE</i>	<i>Amount</i>	<i>FTE</i>	<i>Amount</i>
<i>Audits Impact of CR [non-add]</i>	104	16,725	104	17,748 [-941]	--	+600 [+941]	104	18,348	--	+600
<i>Investigations Impact of CR [non-add]</i>	95	14,130	95	14,728 [-781]	--	+653 [+781]	95	15,381	--	+653
<i>ASIM Impact of CR [non-add]</i>	62	7,686	62	8,223 [-436]	--	+370 [+436]	62	8,593	--	+370
<i>Total Requirements Impact of CR</i>	261	38,541	261	40,699 -2,158	--	+1,623 +2,158	261	42,322	--	+1,623 +2,158
<i>Reimbursable Program</i>	--	3,523	--	5,000	--	--	--	5,000	--	--
<i>Total Programs</i>	261	42,064	261	43,541	--	+3,781	261	47,322	--	+3,781

Note: The nature of the OIG's work requires a close relationship among all the OIG organizational elements. Using a team approach and necessary flexibility to move staff to priority work, it is common to share staff resources between activities. For example (1) teams consisting of both investigators and auditors are used to address the growing number of high level investigations and audit requests and (2) teams of ASIM experts and auditors are used to address information technology evaluations. As the Department faces complex challenges, the OIG, in many instances, employs interdisciplinary and cross-functional teams to leverage the inherent strengths and abilities of our human capital to identify and communicate tangible ways the Department can improve. The OIG operates within the total budget levels and FTE guidelines in the most effective and efficient manner to accomplish our mission.



**DEPARTMENT OF THE INTERIOR**  
**OFFICE OF INSPECTOR GENERAL**  
**SUMMARY OF REQUIREMENTS BY OBJECT CLASS**  
(Dollar amounts in thousands)

Object Class	FY 2007 Estimate		Fixed Costs		Program Changes		FY 2008 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<u>Personnel compensation</u>								
11.1 Full-time permanent	261	24,845	--	+654	--	--	261	25,499
11.3 Other full-time permanent	--	--	--	--	--	--		--
11.5 Other personnel compensation	--	372	--	--	--	--	--	372
Total personnel compensation	261	25,217	--	+654	--	--	261	25,871
12.1 Personnel benefits: Civilian		6,502		+106		--		6,608
21.1 Travel/ transportation of persons		1,501		--		--		1,501
23.1 Rental payment to GSA		2,640		+33		--		2,673
23.2 Rental payment to others		306		--		--		306
23.3 Communications, utilities, and misc. charges		299		--		--		299
25.2 Other Services		607		+3,000		--		3,607
25.3 Purchases of goods and services from Government accounts		1,012		-12		--		1,000
26.0 Supplies and materials		457		--		--		457
Reimbursable		5,000		--		--		5,000
Total Requirements	261	43,541		+3,781*	--	--	261	47,322

\* This amount includes fixed cost increase of \$1,623,000 and the impact of FY 2007 CR of \$2,158,000. The CR amount was included in other services.

**DEPARTMENT OF THE INTERIOR  
OFFICE OF INSPECTOR GENERAL  
Program and Financing (in millions)**

Identification Code 14-0104-0-306	FY 2006 Actual	FY 2007 Estimate	FY 2008 Estimate
Program by activities:			
00.01 Direct Program	39	39	42
09.01 Reimbursable program	4	5	5
10.00 Total obligations	43	44	47
Current Appropriations:	39	39	42
40.35 Appropriation Permanently Reduced	-1		
40.00 Appropriation (definite)	38	39	42
Relation of obligations to outlays:			
70.00 Total Budget Authority	42	44	47
72.40 Obligated balance, start of year	6	2	6
73.10 Total new obligations	43	44	47
74.40 Obligated balance, end of year	2	6	6
87.00 Outlays (gross)	47	40	47
90.00 Outlays (net)	43	35	42
Direct Obligations:			
11.101 Full-time permanent	25	25	25
12.101 Civilian personnel benefits	7	7	7
21.001 Travel and transportation of persons	2	2	2
23.100 Rental Payments to GSA	3	3	3
25.201 Other Services	1	1	4
25.301 Purchase of service from Government Accounts	1	1	1
99.00 Direct obligations	39	39	42
99.00 Reimbursable obligations	4	5	5
99.91 Total obligations	43	44	47
Personnel Summary:			
Full-time equivalent employment (direct)	261	261	261

**DEPARTMENT OF THE INTERIOR  
OFFICE OF INSPECTOR GENERAL  
EMPLOYEE COUNT BY GRADE**

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Estimate
Executive Level	1	1	1
SES	8	10	10
SL	1	1	1
GS-15	38	37	38
GS-14	65	66	67
GS-13	79	84	83
GS-12	31	27	29
GS-11	16	15	13
GS-10	7	7	7
GS-9	14	11	11
GS-8	1	1	1
GS-7	4	6	5
GS-6	1	1	1
GS-5	0	0	0
GS-4	2	2	2
GS-3	0	0	0
GS-2	0	0	0
Total employment (actual/projected) End of fiscal year	268	269	269

***APPENDIX I***  
**APPROPRIATION LANGUAGE CITATION**

Appropriation: Office of the Inspector General

For necessary expenses of the Office of Inspector General, 5 U.S.C. Appendix 3.

5 U.S.C. Appendix 3 provides for the establishment of the Office of Inspector General as an independent and objective unit within the Department of the Interior to conduct and supervise audits and investigations related to Departmental programs and operations.

**Proposed appropriations language changes**

*For necessary expenses of the Office of Inspector General, \$42,322,000.*

**APPENDIX II**  
**SECTION 405 OF THE INTERIOR**  
**AND RELATED AGENCIES APPROPRIATIONS ACT**

The 2006 Interior and Related Agencies Appropriations Act includes the following requirement for disclosure of overhead, administrative, and other types of spending:

*SEC.405. Estimated overhead charges, deductions, reserves or holdbacks from programs, projects, activities, and subactivities to support government-wide, departmental, agency or bureau administrative functions or headquarters, regional or central operations shall be presented in annual budget justifications and subject to approval by the Committees on Appropriations. Changes to such estimates shall be presented to the Committees on Appropriations for approval.*

<b>External Administrative Costs</b> (in thousands of dollars)			
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008 Estimate</b>
<b>Department's Working Capital Fund</b>			
<b>Centralized Billings</b>	877.8	985.8	1,019.3
<b>Fee for Services</b>	3,782.8	313.2	318.4

The OIG pays external administrative costs through the Working Capital Fund and through additional separate fee for service agreements with the Department.

<b>OIG Billing for Reimbursable Work</b> (in thousands of dollars)			
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008 Estimate</b>
<b>Salaries and Benefits</b>	2,114	3,000	3,000
<b>Reimbursable Overhead</b>	1,409	2,000	2,000
<b>Total</b>	3,523	5,000	5,000

**Appendix III**  
**Justification of Fixed Costs and Related Changes: OIG**

	2007 Budget	2007 Revised	2008 Fixed Costs Change
<b>Additional Operational Costs from 2007 and 2008 January Pay Raises</b>			
1. 2007 Pay Raise, 3 Quarters in 2007 Budget <i>Amount of pay raise absorbed</i>	+\$571 [0]	+\$571 [0]	NA NA
2. 2007 Pay Raise, 1 Quarter (Assumed 2.2%)	NA	NA	+\$194
3. 2008 Pay Raise (Assumed 3.0%)	NA	NA	+\$838
<p>These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees.</p> <p>Line 1 is an update of 2007 budget estimates based upon an assumed amount of 2.2%.</p> <p>Line 2 is the amount needed in 2008 to fund the estimated 2.2% January 2007 pay raise from October through December 2007.</p> <p>Line 3 is the amount needed in 2008 to fund the estimated 3.1% January 2008 pay raise from January through September 2008.</p>			
	2007 Budget	2007 Revised	2008 Fixed Costs Change
<b>Other Fixed Cost Changes</b>			
<b>Two More Pay Days</b> <i>This adjustment reflects the increased costs resulting from the fact that there is two more pay days in 2008 than in 2007</i>			+\$291
<b>Employer Share of Federal Health Benefit Plans</b> <i>Amount of health benefits absorbed</i>	+\$106 [0]	+\$106 [0]	+\$52 [0]
<p>The adjustment is for changes in the Federal government's share of the cost of health insurance coverage for Federal employees. The increase is estimated at 6%.</p>			
<b>Workers Compensation Payments</b> <i>Amount of workers compensation absorbed</i>	-\$16 [0]	-\$16 [0]	+\$28 [0]
<p>The adjustment is for actual charges through June 2006 in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for 2008 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.</p>			
<b>Unemployment Compensation Payments</b> <i>Amount of unemployment compensation absorbed</i>	+\$4 [0]	+\$4 [0]	-\$4 [0]
<p>The adjustment is for estimated changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.</p>			
<b>Rental Payments</b> <i>Amount of rental payments absorbed</i>	+\$126 [0]	+\$126 [0]	+\$164 [0]
<p>The adjustment is for changes in the costs payable to General Services Administration and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to DHS. Costs of mandatory office relocations, i.e., relocations in cases where due to external events there is not alternative but to vacate the currently occupied space, are also included.</p>			
<b>Departmental Working Capital Fund</b> <i>Amount of WCF payments absorbed</i>	+\$113 [0]	+\$113 [0]	+60 [0]
<p>The change reflects expected changes in the charges for Department services and other services through the Working Capital Fund. These charges are displayed in the Budget Justification for Department Management.</p>			

**APPENDIX IV**  
**OIG PERFORMANCE OUTPUT IN FY 2004, FY 2005, AND FY 2006**

Below are statistics that were reported in the FY 2004, FY 2005, and FY 2006 OIG Semiannual Reports to the Congress, as mandated by the Inspector General Act of 1978, as amended. This information highlights some OIG activities and outputs and their potential impact on the Department's programs and operations.

<b><u>Audit Activities</u></b>	<b><u>FY 2004 Actual</u></b>	<b><u>FY 2005 Actual</u></b>	<b><u>FY 2006 Actual</u></b>
Audit Reports Issued, Processed, or Reviewed			
Internal Audits, Contracts & Grant Audits	75	90	63
Single Audits Processed	205 <sup>1</sup>	0 <sup>1</sup>	0
Single Audit Desk Reviews		193	231
Single Audit Quality Control Reviews		5	5
<b>Total Audit Reports Issued or Processed</b>	<b>280</b>	<b>288</b>	<b>299</b>
<b><u>Impact of Audit Activities - (dollars in millions)<sup>2</sup></u></b>			
Lost or Potential Additional Revenues	52.0	1.5	2.8
Questioned Costs	18.6	10.3	.9
Recommendations That Funds Be Put To Better Use	40.9	13.8	1.2
<b>Total Monetary Impact</b>	<b>111.5</b>	<b>25.6</b>	<b>4.9</b>
Internal Audit Recommendations Made	360	511	446
Internal Audit Recommendations Resolved	335	255	185
<b><u>Investigative Activities:</u></b>			
Cases Opened	383	446	422
Cases Closed	306	336	501
Hotline Calls Received	152	172	169
<b><u>Impact of Investigative Activities:</u></b>			
Indictments/Information	36	48	55
Convictions	21	48	46
Sentencings	26	37	46

<sup>1</sup> Reductions from FY 2004 to zero in FY 2005 are based on transfer of the single audit processing function to the Department. We retained the oversight function and conduct desk and quality control reviews to assess the quality of single audits that identify DOI as the principal Federal funding agency

<sup>2</sup> In FY 2005, Audits focused on cross-cutting issues versus previous audits that focused on individual programs, i.e., concessions where DOI's expenditures are not large.

<b>Impact of Investigative Activities (cont.):</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>
Jail	279 months	355 months	356 months
Probation/Supervised Release	975 months	1026 months	1611 months
Community Service	950 hours	204 hours	1251 hours
Criminal Judgements/Restitutions	\$3,125,971	\$2,200,708	\$1,466,492
<b><u>Criminal Investigative Activities:</u></b>			
Criminal Matters Referred for Prosecution	81	76	75
Criminal Matters Declined	20	28	63
<b><u>Civil Investigative Activities:</u></b>			
Referrals	2	5	8
Declinations	1	2	6
Civil Recoveries	\$6,767,200	\$1,750,000	0
<b><u>Administrative Investigative Activities:</u></b>			
Administrative Actions	81	96	91
Administrative Recoveries/Restitutions	\$92,738	\$10,738	\$50,459
Contractor Suspensions	0	0	0
Contractor Debarments	2	0	7
Contract Terminations	0	0	0



**APPENDIX V**  
**OIG MANDATORY ACTIVITIES**

- Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 require that Inspectors General audit or arrange for annual audits of agency financial statements.
- The Single Audit Act of 1984, as amended, requires that Inspectors General review the quality of single audit reports of certain state, local, and Indian tribal governments and nonprofit organizations and the conformity of the audit reports with the Act.
- The No Child Left Behind Act of 2001 requires that the Inspector General (IG) for the Department of the Interior (DOI) establish a system to ensure that financial and compliance audits are conducted of each Bureau of Indian Affairs school at least once every 3 years.
- The Insular Areas Act of 1982 requires the DOI OIG to establish "an organization which will maintain a satisfactory level of independent audit oversight" in the Insular Areas of Guam, American Samoa, the U. S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands.
- The Superfund Amendments and Reauthorization Act of 1986 requires Inspectors General to audit Environmental Protection Agency Superfund monies that are directly apportioned to the Department and those monies received through interagency agreements.
- The General Accounting Office Act of 1996 requires the DOI OIG to audit the Central Utah Project Cost Allocation. (This audit is a one-time effort that will be conducted when the allocation is finalized).
- The Office of National Drug Control Policy Reauthorization Act of 1998 requires Inspectors General to authenticate the detailed accounting of all funds expended by the Department for National Drug Control Program activities during the previous year. (Note: the Department has not reached the program funding threshold for which OIG authentication is required).
- The Federal Information Security Act of 2002 requires that Inspectors General perform annual evaluations of agency information security programs.
- The Fish and Wildlife Programs Improvement and National Wildlife Refuge System Centennial Act of 2000 requires the DOI OIG to procure biennial audits of the expense incurred by the Fish and Wildlife Service (FWS) for administering the Sport Fish and Wildlife Restoration Acts.

- The Consolidated Appropriations Act of 2000 requires Inspectors General to report quarterly on the promptness of their agency's payments of their water and sewer bills to the District of Columbia Water and Sewer Authority.
- The Consolidated Appropriations Resolution of 2003 requires the Inspector General of each department to submit a report to the Committees on Appropriations detailing the Department's policies and procedures to give first priority to the location of new offices and other facilities in rural areas, in accordance with the Rural Development Act of 1972, as amended.