

## Department of the Interior Response to Office of Inspector General Major Management Challenges - FY 2007

(A synopsis of the OIG comments are in italics at the beginning of each section)

### 1. Financial Management

*The OIG has stated that although the Department has several initiatives aimed at improving financial management. These initiatives, the Financial and Business Management System and Performance and Budget Integration, are placing increased demands on stretched financial resources.*

The Department of the Interior, dedicated to maintaining outstanding financial management, is upgrading its financial management environment. The Department is augmenting its management partnerships; significantly expanding the scope of internal control review activities by conducting comprehensive site visits at all bureaus, the National Business Center, and Office of the Special Trustee. The Department is addressing the challenges of initial deployment of the Financial and Business Management System, now successfully implemented in two bureaus. We are working on enhancing the integration of budget and performance. Though we have made significant progress in each of these endeavors, in particular, we'd like to highlight progress with FBMS and budget-performance integration.

#### **Financial and Business Management System**

Implementation of FBMS remains a major management focus due to its importance to the entire Department. In FY 2007, the Department met its FBMS goal to deploy the core financials portion of the system to the Minerals Management Service and Office of Surface Mining, Reclamation and Enforcement in the first quarter of FY 2007. Interior is the first agency in the federal government to deploy SAP core financials in eight months. It was a challenging undertaking. As expected when replacing a legacy system that has been in operation for close to 20 years, challenges arose in the production environment. The Interior management team worked diligently to make needed corrections

for FBMS. In addition, the FBMS team conducted extensive lessons-learned sessions in early 2007, and has made other adjustments to the project operations. Future FBMS deployments will benefit from the maturation of the system and project management processes. Key accomplishments include:

- ◆ Use of FBMS by OSM and MMS as their accounting system for the entire year, closing FY 2007 on schedule;
- ◆ Opening in FY 2008 after a one-day delay with continued operation thereafter;
- ◆ Loading of historical data from the OSM and MMS legacy accounting systems into the FBMS business warehouse, enabling those systems to be retired;
- ◆ Blueprinting, configuring and testing during FY 2007 of the acquisition module;
- ◆ Planning, configuring and testing of an upgrade of the core financial software for the latest Financial Systems Integration Office-approved version, which will be deployed in November 2007;
- ◆ Completing plans to deploy FBMS to the Bureau of Land Management, the first large Federal Financial System bureau.

Every project depends on funding being available at the planned level to meet its schedule and scope. The FY 2007 continuing resolutions disrupted FBMS deployment, due to the timing and low levels of funding. Funding from the Interior Franchise Fund was not available at the level planned, which required a reduction in scope. Funding for the next fiscal year is uncertain both in timing and amount. Deployment could again be disrupted or delayed, but the Department remains committed to full implementation of FBMS.

Changing customer policies and business processes required delay of the GovWorks implementation. These changes prevented the FBMS project from being able to lock in system requirements in time to meet the November 2007 deployment.

The vision and goals of the FBMS project remain the same. The initial business case for FBMS anticipated that deployment of the full functionality would take eight years, from 2004 to 2011. The DOI began implementing FBMS in FY 2004; the original system integrator proposed that the system implementation could be completed by the end of FY 2008. After the new system integration contract was awarded, the Department's Investment Review Board approved a revised baseline for FBMS, with full deployment taking until 2011. The management team will continue to make necessary adjustments in the project to adapt to changing conditions.

**Budget and Performance Integration**

The OIG focuses on the Program Assessment Rating Tool, which is one element of a comprehensive suite of budget and performance integration initiatives at DOI.

In FY 2007, the Department solicited the assistance of bureau heads and Assistant Secretaries in providing direct oversight in the Program Assessment Rating Tool assessment process with the Office of Management and Budget. As a result, the number of *Results Not Demonstrated* PARTs has been reduced by six to 14 out of 70 PARTs.

The Department expects to further reduce the number of PARTs with Results not Demonstrated ratings in FY 2008 through senior leadership engagement and assistance from the OIG.

Previous PART evaluations for programs such as BLM habitat restoration and the U.S. Fish and Wildlife Service migratory bird program enabled DOI to seek additional funding. PART evaluations for BLM's oil and gas program and land and realty management also led to budget proposals to seek greater cost recovery.

The range of activities under budget and performance integration includes documenting performance targets in budget estimates; extending activity-based costing to relate financial information

to both performance goals and measures; and emphasizing budget and performance information to improve management decisions. For example, bureaus such as FWS use activity-based costing information to allocate funds across regions. The Department continues to pursue budget and performance integration in accordance with the goals agreed to with OMB.

**2. Information Technology**

*The Department continues to strive towards a comprehensive Information Technology Security Program that complies with the Federal Information Security Management Act of 2002. However, the Department remains vulnerable to an insider attacker and application security at the bureau level continues to present attackers with targets of opportunity.*

Interior continues its efforts to build a comprehensive IT security program that is compliant with FISMA and acknowledges that better information security policies and practices will further ensure the confidentiality, integrity, and availability of its information and its IT systems. Interior made significant progress in improving and strengthening its overall security posture during FY 2007. The following milestones were achieved:

- ◆ Interior is in the final phase of completing its IT Security Policy Handbook to align Departmental policies with the National Institute of Standards and Technology Special Publication 800-53 families of controls and implementing OMB's requirements for the protection of sensitive agency information, including personally identifiable information.
- ◆ Interior completed and promulgated the Department's Privacy Loss Mitigation Strategy in accordance with OMB Memoranda on *Recommendations for Identity Theft Related Data Breach Notification, and Safeguarding Against and Responding to the Breach of Personally Identifiable Information* (M-07-16).
- ◆ Interior completed the Identity Theft Task Force charter, established the Department's ITTF, and promulgated OCIO Directive 2007-005, *Departmental Strategy to Safeguard*

*Personally Identifiable Information and Reduce the Collection and Uses of Social Security Numbers.*

- ◆ The Department established a cross-DOI Internal Security Improvement Team working group to develop an IT Security Defense-in-Depth Strategic Plan that included approximately 40 recommendations to address risks associated with insider threats to Interior's information and information systems. Initial recommendations from this team were provided, and Interior expects to make final decisions regarding an implementation strategy by November 2007. Key recommendations included in that plan are being integrated into Interior's IT Roadmap initiative to appropriately prioritize and align these initiatives with other related and planned initiatives.
- ◆ The Department established policy directing monthly monitoring of all Interior systems. Testing of select controls is also conducted in coordination with the annual completion of Internal Control Reviews. Testing is configured to ensure that all controls are tested during a three-year period.
- ◆ As part of Interior's self-assessments it performed as part of its annual Internal Control Reviews, Interior measured the progress of implementing required security controls consistent with NIST FIPS Pub. 200 and SP 800-53, and assessed in accordance with NIST SP 800-53A, for information systems using five levels of effectiveness. Based on the results of these reviews, Interior has achieved an overall Level 4.51 maturity when measured against the assessment criteria.

For FY 2008, the following priorities will be addressed in the IT security program:

- ◆ Continued improvement in Certification and Accreditation documentation and execution processes, the Plans of Action and Milestones process, security configurations using Security Technical Implementation Guides, and IT systems inventory processes.

- ◆ Certification and Accreditation revisions to address OMB requirements for protection of personally identifiable information.

### 3. Health, Safety, and Emergency Management

*The Department's Office of Law Enforcement, Security, and Emergency Management continues to struggle with its role involving policy and oversight of bureau law enforcement, security, and emergency management programs. DOI has an unreliable radio communications environment, deterioration at some Indian Affairs schools, Fish and Wildlife Service and U.S. Geological Survey employees working in unsafe buildings, and serious health and safety issues related to a National Park Service facility.*

Interior places the highest priority on protecting its many visitors, employees and volunteers and safeguarding its facilities and the vast amount of real property for which it is responsible. The Department and its bureaus have made significant progress regarding health, safety, and emergency management, but more remains to be accomplished. Regarding safety issues with radio communications, the Department continues to take actions to address those deficiencies and protect the health and safety of employees and the public.

The Secretary's law enforcement reforms encompass 25 subject areas, with a total of 61 individual directives. The OIG's April 2006 progress report showed 35 of those directives as "fully implemented," 23 with "moderate progress," and only three with "inadequate progress." Since then, there has been substantial progress in these last three areas:

- ◆ Interior completed a comprehensive revision of all law enforcement policies in December 2004. The Office of Law Enforcement, Security and Emergency Management has prioritized the numerous chapters of the Law Enforcement Handbook and has issued policy guidance as the legal review for each chapter is completed. The OLESEM and Office of the Solicitor are utilizing a "chapter-specific" review process to expedite the review of both existing and new policy chapters. As a result,

policy chapters are now being submitted on a timely schedule.

- ◆ Interior is moving forward with the Incident Management Analysis Reporting System. Initial development has been completed and further implementation is progressing.
- ◆ The OLESEM Training Branch established a permanent office at the Federal Law Enforcement Training Center in Glynco, Ga. This has enabled us to work with the various bureau law enforcement programs to upgrade and standardize training.
- ◆ The Department created a Security Advisory Council, consisting of Security Directors from all bureaus and offices, to develop and review security policy. To enhance policy oversight and compliance efforts, OLESEM completed initial staffing of its Policy Compliance and Evaluations Branch which subsequently completed a preliminary assessment of the bureaus' existing law enforcement, security, and emergency management policy compliance and evaluations capabilities; and conducted on-site security policy compliance evaluations at a majority of the Department's National Critical Infrastructure and Key Resource sites.
- ◆ DOI developed comprehensive policies to address Serious Incident Reporting and Internal Affairs. It created a Serious Incident Review Group, consisting of the Director, OLESEM, and the Law Enforcement Chiefs for all DOI bureaus. The Review Group reviewed several incidents and issued detailed reports, approved by the Deputy Assistant Secretary, to address training and other needs. As noted in the OIG progress report, Interior has also implemented an automated Case Tracking System for internal affairs matters. The interim policy guidance for both Boards of Review/SIRG and Internal Affairs has been revised.
- ◆ The OLESEM continues to oversee Indian Affairs' efforts to improve Indian country detention.

One IG report noted of Indian school facilities that "Some of these buildings have been condemned for over ten years and pose the potential for serious injury or death for students and faculty." The Department does not believe these facilities in use pose significant risks. Indian Affairs sent a certified professional engineer to all facilities visited by the OIG. No school buildings that have been condemned are occupied and appropriate measures to prevent access are taken at those that are closed or abandoned and pending disposal.

Where facilities represent imminent danger to students, staff, and visitors, the facilities are closed and alternative facilities are provided pending construction or repairs. Currently, no buildings known to present imminent safety or health risks are occupied. Indian Affairs will continue to vacate any building that represents an imminent danger to students, employees, or visitors. The buildings remain vacated until appropriate measures are taken to correct the condition or the buildings are demolished.

The Department continues to aggressively implement the law enforcement directives and all others that have not yet been fully implemented. Non-law enforcement managers who supervise law enforcement positions are subject to investigation by internal affairs investigators to the same extent as law enforcement officers themselves. In addition, the bureaus have fully embraced the need for all such managers to undergo a background investigation and receive comprehensive "Law Enforcement for Managers" training. Each bureau that allows supervision of law enforcement officers by non-law enforcement managers (BLM, BOR, NPS, and FWS-NWRS) has trained the majority of its managers, with a schedule to complete training for all managers. This process is overseen by OLESEM.

Additionally, a Law Enforcement Board of Advisors, consisting of the bureau law enforcement program directors and the Director, OLESEM, meet monthly with the Deputy Assistant Secretary-Law Enforcement, Security and Emergency Management to discuss Interior and bureau law enforcement policy, training, staffing, equipment, operations, and other issues.

Beyond the specific directives addressed in the Secretary's law enforcement reforms, the Department provides strong oversight of a wide range of law enforcement, security and emergency management programs. Examples include:

- ◆ Active participation in implementing numerous Homeland Security Presidential Directives, including HSPD-3 (*Homeland Security Advisory System*), HSPD-5 (*Management of Domestic Incidents*), HSPD-7 (*Critical Infrastructure Protection*), HSPD-8 (*National Preparedness*), HSPD-12 (*Common Identification Standards*), HSPD-13 (*Maritime Security*), and HSPD-20 (*National Continuity Programs*).
- ◆ Active participation in numerous Homeland Security Council-led Policy Coordinating Committees, including Avian and Pandemic Influenza, Biodefense, Border and Transportation Security, Maritime Security, Continuity, Critical Infrastructure Protection, Domestic Readiness, Information Sharing, and Plans and Training.
- ◆ Development of a National Infrastructure Protection Plan for the National Monuments and Icons Sector, including creation of a security assessment methodology noted by DHS, OMB, and GAO.
- ◆ Development of a Departmental Avian and Pandemic Influenza Plan.
- ◆ Revision of the Departmental Manual to provide a comprehensive policy framework for the Emergency Management program.
- ◆ OLESEM is working closely with Border Patrol to improve access to encrypted radio communications by our law enforcement officers in the Southwest.
- ◆ In 2007, OLESEM revised the Department's 1999 Continuity of Operations Plan and completed "tabs" to the plan for elements within the Office of the Secretary. With extensive participation of Departmental leadership, OLESEM tested the COOP Plan as part of a government-wide continuity

exercise and formulated "lessons learned" for continual process improvement for coordination of emergency situations.

- ◆ OLESEM coordinated with OCIO to develop E-Gov and OCIO Strategic Planning elements for emergency management, including compliance with National Communications System Directive 3-10 and development of a system to provide a common operational picture for decision support to senior leadership.
- ◆ Provided policy guidance for National Incident Management System training requirements required under Homeland Security Presidential Directives 5 and 8.
- ◆ Provided policy guidance to clarify mission and operations of the DOI Incident Support Team and the Interior Regional Emergency Coordinating Councils, strengthening the ability of the Department to coordinate major incidents from a national perspective and to enhance regional preparedness and operational coordination.

Interior also took immediate action in response to the OIG Flash Report to vacate the unsafe buildings being used by Fish and Wildlife Service and U.S. Geological Survey employees.

#### 4. Maintenance of Facilities

*Although progress has been made addressing Interior's deferred maintenance needs of NPS facilities and IA schools, the maintenance backlog continues to grow substantially. Exact estimates of deferred maintenance costs are difficult to determine due to the scope, nature, and variety of assets entrusted to the Department, as well as the nature of deferred maintenance itself.*

Although Interior has used significant resources to maintain and repair its facilities, deferred maintenance continues to present a difficult challenge. However, recent measures will enable Interior to better estimate deferred maintenance of assets.

Executive Order 13327 established the Federal Real Property Profile as the government-wide inventory of Federal real property assets. One of the FRPP data elements is Condition Index for each constructed asset. CI is a ratio of full maintenance requirements of the asset to the Current Replacement Value of the asset. Through FY 2007, the bureaus have been identifying and refining their CIs for all buildings and structures and reporting them into the FRPP. All constructed assets in the FRPP must have a CI value when the FY 2007 inventory is finalized in December 2007.

At the end of FY 2007, Interior's bureaus completed their first cycle of Comprehensive Condition Assessments for all buildings and structures with a CRV over \$50,000. All constructed assets with a CRV of \$5,000 and above receive an annual condition assessment. During FY 2007, some bureaus began their second five-year cycle of Comprehensive Condition Assessments on all buildings and most structures. During the second round, all buildings and structures will be reviewed again. As a result of these condition assessments, CI data for reviewed constructed assets will be updated in the FRPP inventory each year.

Although considerable action has been taken on maintenance of facilities, deferred maintenance remains a challenge to remediate. The Department is currently standardizing the methodology the bureaus will use for calculating CRV and deferred maintenance. The methodology will be implemented in Q1 '08 and fully reflected in the CRV and CI reported for FY 2008 in the FRPP. This standard methodology should enable the Department to more accurately estimate its deferred maintenance.

## 5. Responsibility to Indians and Insular Areas

*The Department continues to have management problems in programs for Indians and island communities. Tribal entities' financial compliance with funding agreements should be ensured through the single audit process but in almost half the reports reviewed, tribal entities submitted delinquent reports. Loan portfolio deficiencies threaten the viability of the development bank of Commonwealth of the Northern Mariana Islands. The Virgin Islands Lottery has little control over video*

*lottery terminal operations, raising questions as to whether the Virgin Islands Government is receiving all lottery revenues due.*

The Department has demonstrated its longstanding commitment to fulfilling its responsibilities to American Indians and island communities. This responsibility includes administering the Government's fiduciary trust responsibility to Indian tribes and individual Indians, a responsibility that the Department takes very seriously. In recent years, we have successfully corrected or mitigated the impact of most deficiencies in Indian trust fund management, and the Office of Historical Trust Accounting is conducting the historical accounting of trust fund accounts.

Indian trust, Single Audit Act reports, and insular affairs matters are discussed below.

### **Indian Trust**

The Comprehensive Trust Management Plan outlines the strategic direction for Indian trust reform and details Interior's approach for improving performance and accountability in Indian trust management. The CTM is the foundation of the Fiduciary Trust Model which was approved by the Secretary in 2004. The FTM is designed to enhance beneficiary services for tribes and individuals, ownership information, land and natural resources assets, trust funds assets, Indian self-governance and self-determination, and administrative services. The following summarizes the status of projects and initiatives that will operationalize the FTM and provides the status of the Historical Accounting Project:

- ◆ **Enhanced Beneficiary Asset Statements** – Enhanced periodic asset statements now provide more information to beneficiaries about the assets in trust. In addition to receipts and disbursements from tribal and individual Indian accounts, statements now identify the trust tracts owned by the beneficiary, percent and type of ownership in the tracts, where the tracts are located, and active encumbrances.
- ◆ **Historical Accounting** – On May 31, 2007, the Department released the Plan for Completing the Historical Accounting of about 365,000 Individual Indian Money (IIM)

accounts. The accounting is expected to take approximately four years, through 2011. Mailing Historical Statements of Account to IIM account holders has begun for Judgment and Per Capita Accounts and will begin for land-based IIM accounts by December 31, 2007.

- ◆ **Indian Trust Funds Lockbox** – Implementation of the Indian Trust commercial lockbox centralizes the collection of trust remittances and improves cash management by minimizing the physical handling of these funds. The lockbox was implemented to address two audit deficiencies: (1) segregation of duties, and (2) untimely deposits to U.S. Treasury of trust payments received.
- ◆ **Trust Asset Accounting and Management System Title and Leasing Modules** - Transitioning from the approximately 56 non-integrated Trust related information systems to an integrated trust data environment is the cornerstone of the Fiduciary Trust Model. In FY 2007, DOI converted from the Indian Affairs multiple legacy ownership, leasing and income distribution systems to a single repository of trust data.
- ◆ **Trust Funds Receivable** – The OST OCIO developed Trust Funds Receivable to capture payment information and generate invoices that OST mails out to lessees and permittees. The technology displays images of invoices generated and a payment received and provides metrics that report on automatic distribution of trust collections to beneficiary accounts.
- ◆ **Automated Income Distribution** – With the conversion to the Trust Asset and Accounting Management System complete, automatic invoicing and income distribution are possible. The Trust Fund Accounting System uses encumbrance and ownership data initially uploaded from TAAMS to TFAS to automatically generate an invoice. When payment is received at the lockbox, it is deposited with the U.S. Treasury, and an image of the payment can be viewed by staff. If an invoice coupon is submitted with payment, it is automatically matched with an invoice. Once the payment is matched, TFAS will automatically distribute the money received to the appropriate tribal or IIM accounts.
- ◆ **Data Quality & Integrity Project** – The DQ&I Project focuses primarily on improving the accuracy and completeness of Indian trust data contained in TAAMS. During conversion, IA was provided resources to assist with document encoding into the TAAMS Title and Leasing modules. More than 114,800 documents have been encoded. The project has also completed the validation of Critical Data Elements to source documents. Examples of these elements include beneficiary, account number, and land ownership interests. Element variances have been researched with recommended action provided to Indian Affairs. A third initiative includes implementation of a posting quality-assurance process to help ensure current and future transactions encoded in TAAMS are accurate.
- ◆ **Risk Management–Plus** – RM–Plus is an automated tool that enables OST management to conduct control assessments within OST. The results of the assessments provide the basis for the Annual Assurance Statement on Internal Control over Indian Trust Fund Financial Reporting.
- ◆ **Fiduciary Trust Officers** – OST has a staff of 52 FTOs in Indian Country who serve as the primary points of contact for trust beneficiaries. IA staff focuses on resource management, which leaves OST staff more time to focus on financial management. The FTOs frequently hold outreach meetings.
- ◆ **Trust Beneficiary Call Center** – The TBCC was established to provide beneficiaries with a toll-free dedicated source for answers to questions regarding their trust assets.
- ◆ **Indian Fiduciary Trust Records Storage** – The storage of records at the American Indian Records Repository in Lenexa, Kansas began in FY 2005 to ensure the preservation

and integrity of these records. The National Archives and Records Administration manages the facility, and the OST OTR provides support services for shipment of records to the AIRR, as well as records research and retrieval.

- ◆ **Indian Trust Appraisal Request System** – ITARS is an appraisal request tracking application. It is designed to follow an appraisal request from initiation to completion and allow users to track a request through the process. The application automates the reporting requirement for the Office of Appraisal Services.
- ◆ **Office of Minerals Evaluation** – This office was opened in November 2006 to address the lack of staffing and availability of mineral appraisers in Indian Country. This office conducts mineral assessments and mineral appraisals for Indian trust parcels that may undergo heirship and/or title transfer consideration.
- ◆ **Indian Land Consolidation Office** – The ILCO, managed by IA, serves primarily to purchase small fractional trust land interests at fair market value and to consolidate ownership by conveying these interests to the appropriate tribe. Consolidated ownership means recordkeeping is reduced, the number of low-dollar transactions decreases, and the number of interests subject to probate decreases; allowing better utilization of limited trust management resources.
- ◆ **Single Adjudication Office** – The Office of Hearings and Appeals consolidated IA Attorney Decision-Makers and Administrative Law Judges in March 2005 and established an Indian Probate Hearings Division to address the backlog of Indian probates. The consolidation included probate adjudication functions.
- ◆ **Training Task Analysis Report** – Consultants and OST staff broke each process described in the FTM into its detailed tasks. Tasks were aligned with job functions and the levels of knowledge and capability currently existing for each task was

mapped to the audience(s) that performs them. The report includes a gap analysis that identifies tasks targeted for training and recommendations on training.

- ◆ **BLM Indian Lands Surveyors** – The BLM recruited and placed a Cadastral surveyor in each of the 12 IA regions in FY 2006. The primary responsibility of the BILS is consultation and guidance for IA and tribal real estate programs regarding boundaries, surveys, land ownership and other legal and technical survey issues. They also ensure that survey work complies with Cadastral survey laws and regulations. Additionally, the surveyors provide oversight and monitoring for Cadastral surveys performed within their area of jurisdiction by the certified Federal surveyors.
- ◆ **Certified Federal Surveyors Program** – A Federal surveyor certification program was initiated. State licensed surveyors can become federally certified to perform Cadastral surveys in Indian country in conformance with BLM standards. The program will expand the cadre of qualified surveyors to address the Cadastral survey backlog within Indian country, ensure that surveys comply with regulations and policies and offer tribal and private land surveyors more opportunities to survey in Indian country. Of the initial 124 enrollees, 69 individuals received certification in May 2007. The remaining enrollees are scheduled to graduate in FY 2008.

#### **Single Audit Reports**

Indian Affairs recognizes the problems Indian tribes and tribal organizations have in submitting single audits within the time frame prescribed by the Single Audit Act and OMB Circular A-133, and its responsibility to assist tribes in addressing this issue. In Fiscal Year 2006, IA adopted internal operational measures to achieve a goal of full compliance with OMB Circular A-133. In addition, Indian Affairs has established, consistent with the Indian Self-Determination and Education Assistance Act and the Tribally Controlled Schools Act, a policy that tribal entities that do not submit their single audit reports in a timely manner are placed on sanctions. Indian Affairs is emphasizing obtaining single audit reports from Indian tribes. The Tribally



Controlled Schools Act precludes the Bureau of Indian Education from taking the actions prescribed by sanctions against Tribally Controlled School Boards. Of the 18 tribes identified by the OIG as delinquent in submitting single audit reports, 10 tribes were placed on sanctions for failing to submit their single audit reports. Indian Affairs will continue its enforcement efforts in this area until compliance is achieved.

**Responsibility to Insular Affairs**

DOI does not manage, have oversight responsibilities, or provide technical advice to the Development Bank of the Commonwealth of the Northern Mariana Islands. Moreover, the OIG's report on this topic offers no recommended actions. Similarly, DOI does not manage, have oversight responsibilities, or provide technical advice regarding the US Virgin Islands Lottery. Moreover, there are no recommendations for action by DOI in the OIG's report on this subject.

DOI actions focus on helping improve the skills of the workforce of the general governments within the territories and freely associated states to effectively monitor the activities of their component units and business-type entities through training for capacity-building and improving management processes.

The training helps to improve the skills of the local workforce to develop, implement, and evaluate processes, policies, and procedures. Through DOI-sponsored training and through the personal pursuit of education and experience, the local workforce responsible for development banks and lotteries is better able to develop, implement, and enforce improvements. With higher skill levels, the responsible local workforce may then spearhead improvements both within the general government and throughout component units and business-type entities.

**6. Resource Protection and Restoration**

*Wildland fire officials in the field lack a clear understanding of the importance of competing priorities which consider firefighter and public safety and resources and structures to be protected when suppressing wildland fires at minimum cost. This is due to a lack of defined criteria by which to prioritize these concerns. Special-use permits issued by NPS and*

*BLM allow private individuals to monopolize desirable locations to the exclusion of the general public and they allow some permits to be renewed without ensuring compliance with the requirements of the National Environmental Policy Act.*

Interior's responsibility for managing vast natural resources, including one-fifth of the Nation's land area, includes wildland fire-suppression with accountability, as well as issuance of special-use permits to allow for private use of public lands.

The Department seeks to suppress wildland fires with accountability at minimum cost while considering firefighter and public safety as it protects life, property, and resources. With regard to special use permits, Interior is committed to complying with NEPA. Fire suppression and special-use permits are discussed below.

**Wildland Fire**

DOI and the Forest Service have taken significant, comprehensive actions to address large fire suppression costs – actions that continue to improve program management and accountability.

Measuring large fire suppression cost savings based on costs avoided is challenging. However, the Department is committed to mitigating rising suppression costs where possible and has established objectives to achieve this goal. The objectives include: (1) fully implementing Appropriate Management Response, a risk-based approach that matches suppression effort with the potential threat to human values, (2) working with the Forest Service to develop and deploy the Wildland Fire Decision Support System, and (3) increasing oversight and accountability through a more rigorous large fire-cost containment review process.

Together with the Forest Service, these objectives are being implemented under the umbrella of goals, strategies, and implementation tasks identified in two key documents: (1) *A Collaborative Approach for Reducing Wildland Fire Risks to Communities and the Environment, 10-Year Strategy Implementation Plan* (December 2006 Update), and (2) *Protecting People and Natural Resources, A Cohesive Fuels Treatment Strategy* (February 2006). These documents provide a systematic framework of goals, outcomes, performance

measures, implementation tasks and priorities for collaborative, intergovernmental management of fire suppression, fuels reduction, restoration of fire-adapted ecosystems, fire prevention, and community assistance objectives.

DOI implemented a Stratified Cost Index performance measure in FY 2007. This measure is included in the 10-Year Implementation Plan, which serves as the program's overall strategic plan with our partners. This measure will provide managers a useful tool to better manage large fire suppression costs. This model was developed with the intent to continue refining and improving the metric as more data is collected in coming years.

### **Private use of Public Lands**

Interior plans to work closely with the OIG and others to ensure actions help to achieve a transparent, legal, and efficient Special Park Uses Program. This includes a five-year review rotation process to ensure NEPA compliance for special-use permits. The Department will also present the issue of special-use fees to the Office of the Solicitor for a determination as to the proper disposition of the fees.

## **7. Revenue Collections**

*The Federal government receives one of the lowest government royalty rates in the world. MMS issued leases in 1998 and 1999 without price thresholds; the result was that no royalties are due even though prices are high. Also, weaknesses in the compliance review process may prevent MMS from maximizing the benefits of the compliance reviews which are used to verify companies' royalties.*

The Department of the Interior places a high priority on ensuring that mineral revenues are accurately collected, verified and disbursed to recipients in a timely manner. Through MMS, Interior collects and disburses billions of dollars each year in revenues from Federal offshore mineral leases and from onshore leases from Federal and Indian lands. Interior's activities provide economic and energy benefits to the American public.

The royalty rate is part of the package of fiscal terms used in mineral conveyances, so it is difficult

to make direct comparisons with regimes across governments that use different conveyance systems with different terms and conditions. Governments in other countries often have discretionary systems with no competitive cash bonuses or small upfront fees. They tend to rely mostly on receipts from production payments, so their percentages are higher than those used by MMS. State governments within the U.S. collect very modest cash bonuses, so they also rely more on royalties.

In addition to royalties (and rentals), MMS collects cash bonuses from lease sales, which capture additional lease revenue for the public. For example, MMS received high bonus bids of almost \$3 billion from the October 3, 2007, Central Gulf of Mexico sale.

In January 2007, DOI raised the royalty rate for new leases in deep water to 16.7% to increase the revenues that the Federal government collects from oil and gas companies on behalf of American taxpayers. In selecting the 16.7% royalty rate for deep-water leases, the Administration attempted to balance competing goals of providing an appropriate return to the Treasury and taxpayers while ensuring sustained Outer Continental Shelf energy development. The new rate represents a meaningful increase (33%) from the previous standard deep-water royalty rate of 12.5%.

MMS has implemented comprehensive systems and other program enhancements to mitigate the risk of underpayments. MMS continually implements and refines its internal evaluation criteria for self assessment to meet the challenge of accomplishing its responsibilities and to maintain a high level of efficiency. MMS managers take reasonable and necessary precautions to protect the revenue stream through MMS-wide strategic plans, organizational specific business plans, risk initiatives, a highly effective internal control review program, comprehensive compliance policies and procedures, rulemaking, and the Royalty-in-Kind operation.

MMS's RIK operation, which manages a significant portfolio of the nation's oil and gas royalty assets, further mitigates the risk of underpayment as the amount of royalty due is established early through competitive sales of crude oil and natural gas based on highly transparent and unambiguous

price indices. MMS has identified business activity risks and implemented risk management processes within the RIK operation. Further, the RIK operation is governed by strong internal controls, a formal risk management policy, and an executive-level governance board supported by a Chief Risk Officer. The Government Accountability Office has closely examined RIK revenue and administrative metrics and concluded in a January 2006 report that RIK efforts in developing and executing this measurement system were good.

The MMS audit and compliance program is responsible for verifying that correct royalties are paid and for collecting the additional royalties due identified through its compliance processes. The primary tools used to ensure proper payment of royalties are audits and compliance reviews. The strategy includes audits of specific companies with emphasis on selected leases, mineral producing areas, and gathering and transportation facilities. The strategy also includes compliance reviews of select properties, which apply a series of tests to the volume, royalty rate, value, and allowances to determine if the royalty payment is reasonable. For any detected underpayments, MMS pursues collection that is subject to late payment interest. MMS also has substantial statutory penalty authority further minimizing the risk of underpayments.

Since its inception in 1982, the MMS compliance and audit program has collected well over \$3.1 billion in additional royalties that would otherwise have been lost. MMS's recent compliance activities have collected \$223 million from 2004 through 2006, with an additional \$125 million collected through part of 2007. In November 2005, an independent certified public accounting firm issued an unqualified opinion on MMS's audit operation with no material weaknesses, and no reportable conditions.

In its December 2006 report, the OIG stated that compliance reviews are a legitimate tool for evaluating the reasonableness of company-reported royalties and allow a broader coverage of royalties while requiring fewer resources than audits.

In response to the OIG's December 2006 report on the compliance review process, the MMS initiated an "Action Plan to Strengthen Minerals Management Service Compliance Program Operations." MMS

has already completed nine of the 23 improvement actions. The remaining improvement actions are on track to be completed by February 2008, as targeted in the action plan.

In recent years, MMS implemented aggressive new compliance goals to increase the percentage of revenues being reviewed and/or audited, while cutting the overall compliance cycle from six years to three years. In FY 2006, MMS achieved its highest-ever level of contemporaneous (within three years) compliance coverage by confirming reasonable compliance on 72.5% of all CY 2003 royalties. Although MMS's compliance program covered a majority of the revenue, it only covered a small percentage of companies. In early 2006, MRM began examining a risk-based compliance approach as a part of its strategic business-planning initiative, which is consistent with OIG recommendations. A pilot is scheduled for completion by February 2008, and the new risk-based compliance approach will be implemented in FY 2009. The Department anticipates that this strategy will provide the detail to identify properties or payors for which audits or compliance reviews are warranted.

Lease documents for sales held in 1998 and 1999 omitted threshold levels for royalty relief. When the omission was discovered the sale documents were modified and a review was instituted by the Chief, Economics Division to ensure that future sales would not have a recurrence of the same problem. The Administration has taken several additional steps. First was an MMS request for an investigation by the DOI Office of Inspector General to determine whether the error was simply a mistake or the result of intentional malfeasance. MMS worked with DOI Solicitors to obtain agreements with the 1998-1999 lessees to apply price thresholds to future production from these leases. Six companies have negotiated agreements covering 144 1998-1999 deep-water leases. The remaining deep-water leaseholders of the 1998-1999 leases are waiting for potential congressional action before resuming negotiations with DOI.

DOI has strengthened leasing policies and procedures. MMS documented the leasing processes and positions responsible for each step of the process in its Leasing Handbook. Responsibilities are assigned in an Interim Policy

Document signed September 10, 2007, which will become a Chapter in the MMS Manual. In addition, the Secretary, in a memo dated February 2007, directed the Assistant Secretary, Land and Minerals Management that the Solicitors Office review key lease sales documents before they are finalized. This will include consistency determinations, "Notice of Sale package" or "bidder's package", final lease contracts, and other sale documents. The DOI Solicitor now reviews each Outer Continental Shelf lease for content before it is issued after a lease sale.

## 8. Procurement, Contracts, and Grants

*Neither GovWorks nor the Acquisition Services Division, Southwest Branch, complied in full with legal requirements, with federal acquisition regulations, and DOD supplemental requirements. The contracting centers routinely violated rules designed to protect federal interests and the public trust. Also, IA wasted valuable resources buying unusable equipment for which it will continue to incur storage and maintenance costs. Other conditions need attention in the grants area, such as improper use of hunting and fishing license revenue and a lack of adequate control over personal and real property.*

The Department continues to develop and implement policies in the area of procurement and federal assistance including grants to States and Indian organizations. These efforts address challenges involved in the prevention of contractual fraud and waste. The Department stresses the importance of establishing and maintaining adequate controls over the management of contracts and grants.

### **Procurements and Contracts**

Since the initial FY 2005 OIG audits of procurements performed by the National Business Center's acquisition offices for the Department of Defense, NBC has developed and implemented numerous new policies, and enhanced procedures and guidance to ensure contracts are awarded and administered in compliance with applicable laws, regulations and policies. Numerous training sessions were conducted to reinforce new policies and procedures. The Department also:

- ◆ Adjusted operating procedures in FY 2006 to ensure compliance with Government Management Reform Act of 1994 and with new DOD rules and regulations.
- ◆ Established Performance Assessment Team to perform acquisition management reviews at all NBC acquisition sites.
- ◆ Noted that some of the findings issued in FY 2007 DOD/DOI OIG audits did not involve violations of fiscal law, but were departures from new DOD policies issued in October 2006 that were more stringent than GovWorks's authority under the Government Management Reform Act.
- ◆ Executed a joint DOD and DOI Memorandum of Agreement in March 2007 that addressed respective roles and responsibilities.
- ◆ Established and filled an SES leadership position for the NBC Acquisition Program.
- ◆ Enhanced DOI legal reviews for both solicitation and award.
- ◆ Hired an additional attorney to support the NBC Acquisition Services Directorate.
- ◆ Issued policy on March 1, 2007, prohibiting the practice of advance billing for DOD components. As with year-end deobligation, DOD's policy preferences also are narrower than the law allows regarding GovWorks's receipt of advanced funds. The Interior Franchise Fund legislation, under which GovWorks operates, specifically allows that the IFF "may be paid in advance from funds available to the Department and other Federal agencies..." Department of the Interior Appropriations Act of 1997, Pub. L. 104-208, title I, § 113, 110 Stat. 3009-316 (1996), as amended. Nevertheless, corrective action has been implemented to better comply with DOD's policy. After working with the DOD Comptroller's Office, GovWorks implemented a manual process in June 2007 that stopped the practice of advance billing for all DOD components. This process was approved by the DOD Comptroller's office, and the manual

process is being converting into an electronic process to be operational in the first quarter of FY08.

- ◆ In addition, Sierra Vista contracting office successfully achieved a green rating for the FY07 DOD/DOI-OIG audit.

NBC will also be implementing an ISO 9001A quality management program with certification scheduled for the end of FY 2008.

The DOI OIG performed an attestation in July 2007 that showed that only six out of a sample of 240 DOD awards (less than 3%) executed since February 1, 2007, were non-compliant with DOD's October 2006 policy. This shows that appropriate remedial action has been taken to ensure that this error does not occur in the future. Finally, as a result of the attestation, an additional level of review has been incorporated into the standard review process when prior-year funding is included to further ensure that awards utilizing prior-year funds are done appropriately.

Representatives from the Office of Acquisition and Property Management and the NBC participated in an OFPP-sponsored workgroup to define a government-wide approach to conducting interagency acquisitions. At this time, the end-product is still in draft but should be issued within a few months.

#### **IA Radio Communications**

The OCIO completely retrofitted nine sites in the Southwest using towers, power sleds and equipment. Indian Affairs is also participating in a joint effort with the Department, transferring equipment to a joint dispatch center to support multiple DOI law enforcement and fire operations.

Indian Affairs completed a physical inventory of the equipment and reconciled this inventory to the Fixed Asset System. They also identified and located all contracting and accounting records to document the transactions. Finally, Indian Affairs continues to work with the Office of the Solicitor to address OIG concerns with the sole source task order.

#### **Grants Management**

These audits are of State and Territorial Governmental entities; therefore, the Department has very limited ability to effect change to those entities policies and procedures. The entities must respond and act to correct any deficiencies that are noted.

Each audit has a Corrective Action Plan that is submitted and approved first through a regional office then through our Federal Aid Office in headquarters. These plans are very specific and progress toward closing each item is tracked. Each finding must be answered and approved by the Office of Financial Management before closure.

Interior tracks progress towards answering the findings and updates these files as each application for closure is submitted and approved. This includes recovery of funds if found to have been inappropriately spent or disbursed.