



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

OCT 20 2005

Memorandum

To: Secretary

From: Earl E. Devaney
Inspector General

Subject: Inspector General's Statement Summarizing the Major Management and Performance Challenges Facing the Department of the Interior

In accordance with the Reports Consolidation Act of 2000, we submit the attached summaries of issues we have determined to be the most significant management and performance challenges facing the Department of the Interior (Department or DOI), to be included in the Department's Performance and Accountability Report for fiscal year 2005. The challenges listed reflect what the Office of Inspector General (OIG) considers to be significant impediments to the Department's efforts to promote economy, efficiency, and effectiveness in its agencies' management and operations.

The top challenges are as follows:

- Financial Management
- Information Technology
- Health, Safety and Emergency Management
- Maintenance of Facilities
- Responsibility to Indians and Insular Areas
- Resource Protection and Restoration
- Revenue Collections
- Procurement, Contracts and Grants

We view these issues as DOI's top challenges because they are important to the Department's mission, involve large expenditures, require significant management improvements, or involve significant fiduciary relationships.

The Department conducts a variety of activities that cut across bureau and program lines. In our opinion, by developing strategies to identify and correct deficiencies, especially in cross-cutting activities, the Department can enhance and improve its overall operational effectiveness and efficiency.

Attachment

Office of Inspector General Update of the Top Management Challenges for the Department of the Interior

1. Financial Management

Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational integrity. Although the Department has made some progress, internal control weaknesses continue to hinder DOI financial management systems. Even though the Department received an unqualified opinion in FY 2004 auditors assigned to conduct the financial statement audit concluded that the Department's financial management systems are not in compliance with the Federal Financial Management Improvement Act.

The Department has several initiatives aimed at improving financial management including: the Financial and Business Management System (FBMS) and Performance and Budget Integration. Although these initiatives should upgrade financial management in the future, they are placing increased demands on already stretched financial resources.

Financial and Business Management System

The implementation of the FBMS continues to be a major management challenge in DOI. FBMS will replace a variety of outdated, stand-alone, mainframe-based systems that are costly to operate and difficult to secure. The current systems do not provide timely financial and performance information, and do not comply with financial system standards. About 160 systems will be affected by this implementation.

The Department began implementing FBMS in fiscal year 2005 and planned to have the system to be fully implemented by the end of fiscal year 2008. DOI completed the first phase of the project in April 2005 with the launch of the Financial Assistance functionality for grant and cooperative agreement programs at Minerals Management Service (MMS), Office of Surface Mining Reclamation and Enforcement (OSM), and selected programs at the Fish and Wildlife Service (FWS). On September 29, 2005, DOI removed BearingPoint, their contractor from the project. While the vision and goals of the project remain the same, DOI is currently revising their implementation timelines and their training schedules.

Budget and Performance Integration

Better budget and performance integration is essential to results-oriented management and efficient allocation of scarce resources among competing needs. The variety and number of programs within DOI makes budget and performance integration particularly difficult.

DOI's Strategic Plan for Fiscal Years (FY) 2003-2008 made significant changes to DOI's goals and performance measures as part of an effort to aid in budget and performance integration. However, challenges still remain. Of the 18 DOI programs in Budget Year

2006 that received OMB Program Assessment Rating Tool evaluations, 7, or 38 %, had ratings of “Results Not Demonstrated”, a decrease from the 46% reported for Budget Year 2004. DOI needs to continue to focus on developing useful performance measures.

2. Information Technology

Since the enactment of Federal Information Security Management Act (FISMA) in 2002, DOI’s Information Technology (IT) Security program has seen increased management awareness, involvement, focus, and funding. IT security staffing has also increased and adequate training has been made available to the general workforce. The Department, in FY 2004 and FY 2005, established a body of policy and guidance and invested in various security technologies—at an estimated cost of \$100 million—needed to create a control environment which allows testing of the networks, systems, and programs comprising the Department’s IT assets. This has allowed our evaluation efforts to evolve from an essentially general controls based auditing approach to one where technical experts conduct valid and real world tests on the security of DOI’s networks and computer infrastructure.

In the FY 2005 reporting period we note that DOI has taken several positive steps to improve its overall security by:

- Implementing the DOI-wide Enterprise Services Network to provide a more secure computing and networking environment.
- Enhancing the DOI Vulnerability Scanning Program beyond just the SANS Top 20 list of vulnerabilities.
- Implementing an Active Directory and the use of group policy for enforcing Microsoft based security configurations.
- Significantly improving content and usability of the DOI End User IT Security Training and Awareness program.
- Completing its E-Authentication risk assessments.

However, after a thorough evaluation to assess compliance with the FISMA, we have determined that there are significant weaknesses in the DOI IT security program and compliance with FISMA’s requirements. Our audits, evaluations, and technical testing of DOI’s systems and IT Security program in Fiscal Year 2005 have revealed significant issues with the implementation of various departmental policies and non-compliance with OMB requirements for Certification and Accreditation. Additionally, problems in DOI’s overall Plan of Actions & Milestones program, which is a critical element for managing and prioritizing remediation activities, indicate that DOI’s management cannot be assured that IT security risk is properly identified, understood, prioritized, and mitigated. DOI lacks an effective agency-wide strategy to implement and provide oversight for the various policies and procedures issued. Field work continues to demonstrate that bureaus do not always adhere to DOI policy.

3. Health, Safety and Emergency Management

Annually, DOI has over 275 million visits to national parks, 69 million visits to recreational sites provided by the Bureau of Land management (BLM), and 39 million visits to 545 national wildlife refuges. In addition, there are 90 million visitor days of use at 308 Bureau of Reclamation (BOR) recreation sites. DOI must protect these visitors, hundreds of thousands of employees and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some DOI lands and facilities increases their vulnerability to threats and inhibits DOI's response time. DOI continues to be slow to change its mission and priorities to reflect its new security responsibilities and commitment. Specifically, enhancements are needed in DOI's radio communications, DOI's hazardous material program, and security surrounding national icons and BOR dams.

4. Maintenance of Facilities

DOI owns, builds, purchases, and contracts services for assets such as visitor centers, schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. These assets include some deteriorating facilities that lack adequate funding for repair and maintenance. According to the January 2003 Government Accountability Office (GAO) report titled, *Major Management Challenges and Program Risks, Department of the Interior*, DOI needs to more aggressively address the deferred maintenance backlog. The report stated that the repair and maintenance on these assets has been postponed for years due to budgetary constraints and that the deterioration of facilities can adversely impact public health and safety, reduce employee morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment.

This effort is still a challenge for the Department. For example, in the fiscal year 2004 *Annual Report on Performance and Accountability*, the Department reported that exact estimates of deferred maintenance are difficult to determine due to the variety of assets entrusted to the Department. The fiscal year 2004 estimates for DOI's deferred maintenance were between \$8.9 billion and \$15.3 billion. The lack of concrete data makes it difficult to ascertain if the deferred maintenance backlog has even been reduced. The Department also stated that bureau estimates of deferred maintenance were based on data from a variety of systems, procedures, and data sources therefore the reliability of these sources as a basis for deferred maintenance estimates is variable.

The Bureaus have mostly completed a full and comprehensive inventory and condition assessments for all facilities. With this information a facility condition index has been developed and used to make determinations as to whether facilities should be repaired, replaced or relocated as well as determining priorities. Also, per Executive Order 13327, dated February 4, 2004, an agency Senior Real Property Officer has been established whose focus is to direct and oversee Department wide efforts to meet Interior's asset management goals and objectives.

5. Responsibility to Indians and Insular Areas

DOI needs to address persistent management problems in programs for Indians and island communities. DOI is responsible for administering the Federal government's trust responsibilities to Indian tribes and individual Indians, and it provides more than \$750 million annually for basic tribal services, such as social services, tribal courts, and natural resource management. Over the years, GAO and OIG have reported on DOI's poor management of Indian trust funds and programs. Despite DOI's efforts, inadequate accounting and information systems and internal controls, as well as other weaknesses, prevent DOI from ensuring that trust and program funds are properly managed. The single audit is the mechanism to ensure financial compliance with funding agreements; however, during fiscal year 2005, 86 tribes were delinquent in submitting their audit reports. We continue to be concerned about the deplorable conditions at the BIA-operated and funded schools and detention facilities. In addition, DOI has various responsibilities to seven island communities - four U.S. territories and three sovereign island nations. The Insular Area governments have serious long-standing financial and program management deficiencies.

6. Resource Protection and Restoration

DOI resource managers face the challenge of balancing the competing interests for use of the nation's natural resources. DOI manages 507 million acres, or about one-fifth, of the land area of the United States and 700 million acres of subsurface minerals. Federal lands account for 30 to 35 percent of energy produced in the United States. DOI has jurisdiction over an additional 1.76 billion acres of the Outer Continental Shelf. In addition, DOI protects thousands of wetlands, aquatic parcels and native plant and animal species, including more than 1,260 with special status under the Endangered Species Act.

In a 2003 report, GAO identified DOI as having continuing issues related to its ecosystem restoration efforts, specifically in the areas of: 1) wild land fire threats to communities and resources, 2) restoring the South Florida ecosystem, and 3) controlling and eradicating invasive species.

DOI has made progress in addressing the nation's wild land fire threats by increasing funding committed to addressing wildland fire problems, improving data and research on wildland fire problems and developing fire management plans that identify actions for addressing wildland fire threats at the local level. However, a recent GAO report, *Wildland Fire Management, Timely Identification of Long-Term Options and Funding Needs is Critical*, (GAO-05-923T, July 14, 2005) states that despite producing numerous planning and strategy documents, DOI, in conjunction with the Forest Service, has "yet to develop a cohesive strategy that explicitly identifies the long-term options and related funding needed to reduce the excess vegetation that fuels fires in national forests and rangelands".

In addition, DOI has improved its planning for the South Florida ecosystem restoration by refining the strategic plan and developing a land acquisition plan. However, the

Department, through its South Florida Ecosystem Restoration Task Force, has not yet completed action to develop a conflict resolution process and a science plan.

7. Revenue Collections

DOI revenue collected in FY 2004 was approximately \$11.4 billion and includes revenue from energy, minerals, grazing, timber, lands sales, and other revenue producing activities. The highest revenue collector in DOI is by far the MMS. For fiscal year 2005, MMS estimated that they will collect over \$12 billion in mineral revenues alone, representing a \$2.8 billion increase in collections from fiscal year 2004. The revenues are collected from companies with onshore and offshore Federal leases. Since 1982, the MMS Minerals Revenue Management Program has collected and distributed approximately \$139 billion to Federal, state, and Indian accounts. The MMS also conducts a comprehensive compliance effort to ensure that royalty payments from lessees are on time and accurate.

Because of the amount of revenues collected by MMS can have a significant potential for underpayments, OIG believes that revenue collections should continue as one of the top management challenges for the Department.

8. Procurement, Contracts and Grants

DOI spends substantial resources each year in contracting for goods and services and in providing Federal assistance to states and Indian organizations. Procurement has historically been an area subject to fraud and waste government-wide, and managing procurement activities is a continuing challenge requiring constant attention.

An OIG report *Framework Needed to Promote Accountability in Interior's Grants Management* (W-IN-MOA-0052-2004, August 2005) reported that Interior's grants management showed deficiencies including the lack of competition, training, reliable data and assurance that federal funds were being spent appropriately. Consequently, the grants program does not ensure that federal dollars are used as intended or promotes fair treatment for both grant applicants and recipients.

A GAO report, *Interagency Contracting, Problems with DOD's and Interior's Orders to Support Military Operations* (GAO-05-201, April 2005) found that to support DOD military operations in Iraq, Interior issued 11 task orders, valued at over \$66 million on an existing contract. The report stated that numerous breakdowns occurred in the issuance and administration of the orders for these services. GAO concluded that a lack of effective management controls, especially insufficient management oversight and a lack of adequate training, led to these breakdowns. For these reasons, this challenge remains on the FY 2005 list.