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Report to Congressional Requesters

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BUREAU OF LAND MANAGEMENT

Improper Charges Made to Mining Law Administration Program

GAO-01-356

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Abbreviations

BLM	Bureau of Land Management
GIS	Geographic Information System
MLAP	Mining Law Administration Program
MLR	Management of Land and Resources

United States General Accounting Office
Washington, D.C. 20548

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Congressional Requesters

The Bureau of Land Management's (BLM) Mining Law Administration Program (MLAP) is responsible for managing the environmentally responsible exploration and development of locatable minerals[1] on public lands. The program is funded through mining fees collected from the holders of unpatented[2] mining claims and sites and by appropriations to the extent that fees are inadequate to fund the program.[3] During fiscal year 2000, BLM collected over $22.7 million in MLAP fees and reported MLAP obligations totaling almost $32.6 million. Labor obligations represented a substantial portion of the program cost – about 73.6 percent of total obligations in fiscal year 2000. Therefore, an accurate accounting of these costs is crucial for proper program management and accountability and serves as a basis for estimating future costs when preparing budgets.

This report responds to your request that we review labor charges to MLAP during the first 10 months of fiscal year 2000. On the basis of our prior work,[4] you also asked that we review BLM's methodology for identifying contracts and services that may have been improperly charged to MLAP during fiscal years 1998 and 1999 and evaluate the processes and procedures developed to correct the improper charges. Finally, you

[1]Locatable minerals include the so-called "hardrock minerals," such as copper, lead, zinc, nickel, gold, silver, barite, feldspar, fluorspar, and uranium.

[2]The Mining Law of 1872 (30 U.S.C. 21 et seq.) authorized the holder of a claim or site to purchase title to (or "patent") the land on which the claim or site was located from the federal government. Patenting is not required for operation of a mining claim or site.

[3]BLM has general statutory authority to use receipts from mining fees for MLAP operations. Annual appropriations acts establish an amount of BLM's appropriation for Management of Land and Resources (MLR) to be used for MLAP operations. The appropriations acts require, however, that the mining fees that BLM collects be credited against the MLR appropriation until all MLR funds used for MLAP are "repaid." To the extent that fees are insufficient to fully credit the MLR appropriation, the MLR appropriation absorbs the difference and therefore partially funds MLAP.

[4]Congressional briefing entitled *BLM's Administration and Use of Mining Maintenance Fees*, April 10, 2000, and our correspondence transmitting the briefing slides (GAO/AIMD-00-184R, June 2, 2000).

requested that we determine whether BLM employees were aware of the source of MLAP funding.

Results in Brief

The results of our survey of BLM employees who had labor charged to MLAP during the first 10 months of fiscal year 2000 indicate that many of those employee time charges did not accurately reflect hours worked on MLAP. An estimated[5] 38.9 percent of employees reported that more time was charged to MLAP than they actually worked, including approximately 17.6 percent who stated that they did no work for MLAP during the 10-month period. In contrast, about 11.4 percent of the employees reported less time charged to MLAP than they actually worked. Our analysis of BLM records also showed that BLM employees had received bonuses and awards financed with MLAP funds for work unrelated to mining. These improper charges to MLAP mean that BLM's financial records do not reflect the true cost of the program. These improper charges are also in conflict with BLM's policy, which states the importance of charging labor to the appropriate benefiting subactivity[6] and that accurate records of costs and accomplishments are critical for planning and decision-making purposes. Based on our survey sample, we estimate a net overcharge of 10.8 percent for the 10-month audit period, resulting in a potential overcharge of about $1.2 million[7] for the nine BLM administrative states[8] and offices included in our review.[9]

[5]All percentages presented in this report are estimates based on a statistically representative survey of 125 employees that had a response rate of 92.8 percent.

[6]An activity is a separate program or function within a single overall appropriation. A subactivity is a component of an activity or program. The benefiting subactivity is the subactivity that caused the work to be done or the obligation to be made.

[7]Since this figure is derived from sample data, it is subject to sampling error. Taking this random variation due to sampling into account, we are 95 percent confident that the actual overcharge ranges between $0.6 and $1.9 million. This result offers assurance that a net overcharge for MLAP occurred for the survey period.

[8]Administrative states are BLM's administrative offices, which in some cases have jurisdiction over areas beyond the boundaries of the state named. Our work examined 9 of BLM's 18 administrative states and offices.

[9]The nine administrative states and offices included in our review reported MLAP obligations in fiscal year 2000 of over $23.4 million, representing approximately 72 percent of total MLAP obligations.

Many employees reported that the improper charges to MLAP were driven by BLM's funding allocations[10] rather than the actual work performed. In other words, charges were improperly made to MLAP because that subactivity had funds available for obligation. Based on our survey, approximately 56 percent of the employees who charged more time than worked to the MLAP stated they did so because of the program's funding allocation.

We asked the employees who stated that they charged more time to MLAP than worked to specify the tasks they had charged to the program. They reported charging time for such non-MLAP related tasks as processing applications to drill oil and gas wells; working on environmental remediation projects; doing recreation management; preparing mineral reports in support of non-mining law actions; and conducting work on common variety minerals, such as sand and gravel. BLM officials characterized these tasks as generally not appropriate for MLAP.

All of the employees were asked whether they alone determined which subactivity would be charged for their labor, and 68.5 percent of the employees stated that they did not personally determine which subactivity would be charged. Of the 68.5 percent, most stated that they had received written or verbal direction from a supervisor or budget officer.

As a result of our earlier findings, discussed with BLM management and provided in an April 2000 Congressional briefing, the Acting Director of BLM instructed BLM's administrative states and offices to review contracts and services costing over $1,500 that were charged to MLAP during fiscal years 1998 and 1999. The review methodology used by BLM was appropriate and thorough and identified the majority of the contracts and services over $1,500 improperly charged to MLAP operations during that time period. In order to correct the improper charges, BLM must identify the appropriation that was properly available when the obligations were incurred and adjust its records to charge that appropriation and credit MLAP. BLM officials told us that they are identifying the appropriations for fiscal years 1998 and 1999 that should have been charged for these contracts and services and stated that sufficient funds are available in

[10]OMB Circular A-34 defines allocation as one method of restricting federal funds available for obligation. It is used broadly to include any subdivision of funds below the suballotment level, such as subdivisions made by agency financial plans or program operating plans, or other agency restrictions.

those accounts to make the correcting adjustments of about $716,000. According to BLM's *Reports on Budget Execution* filed with the Office of Management and Budget for the fourth quarters of fiscal years 1998 and 1999, the Management of Land and Resources (MLR) unobligated balances were $54 million and $32 million, respectively.

While BLM is taking appropriate steps to correct past improper charges of contracts and services to MLAP, it has not established specific procedures to prevent the recurrence of similar improper charges in the future. Until such procedures are established and implemented, there continues to be a high risk of improper use of MLAP funds for unrelated contracts and services.

In response to our survey, 69.9 percent of BLM employees stated that they were either not aware of the source of MLAP funding or did not know that the program is partially funded by fees collected from miners and designated for MLAP operations.

To address the weaknesses identified through our work, we are including recommendations for BLM to create more specific criteria and clearer policies related to the use of MLAP funds.

In commenting on a draft of this report, BLM concurred with the findings of our report and with the four recommendations it contains.

Background

Beginning in 1993, mining fees have included an annual $100 mining maintenance fee on unpatented mining claims and sites and a $25 location fee on new claims and sites.[11] The maintenance fees are collected in lieu of the annual $100 worth of labor or improvements required by the Mining Law of 1872.[12]

[11]The Omnibus Budget Reconciliation Act of 1993 authorized the collection of maintenance and location fees for a 5-year period (through September 30, 1998). The Department of the Interior and Related Agencies Appropriations Act of 1999 reauthorized the collection of the maintenance and location fees for three additional years (through September 30, 2001).

[12]The Mining Law of 1872 allows an individual to assert a right of possession (locate or "stake" a claim) on public land due to the presence of a valuable mineral deposit. The law requires the holder of such a mining claim to perform at least $100 worth of labor or improvements on the claim annually, referred to as "assessment work."

In addition, the Department of the Interior appropriations act for fiscal year 1993 and each fiscal year since established an amount of BLM's appropriation for MLR[13] to be used for MLAP operations. However, the appropriations acts require that the mining fees that BLM collects be credited against the MLR appropriation used for MLAP operations until all MLR funds used for MLAP are "repaid." To the extent that fees are insufficient to fully credit the MLR appropriation, the MLR appropriation absorbs the difference and therefore partially funds MLAP. At the end of the fiscal year, BLM issues a reverse warrant to the Treasury for the amount of fees collected.

MLAP operations deal with locatable minerals, which include base and precious metals (also called "hardrock minerals"), on public lands. MLAP operations do not include work on nonlocatable or common variety minerals, such as sand or gravel, or oil and gas work. MLAP operations do include:

- reviewing and approving plans and notices of mining operations,
- conducting a comprehensive program of inspections and enforcement to ensure compliance with the terms of plans and notices of operation and related state and local regulations,
- identifying and eliminating cases of unauthorized occupancy of mining claims,
- conducting validity examinations of mining operations in order to eliminate cases of mineral trespass,
- completing mineral examinations and processing of the "grandfathered"[14] mineral patent applications,
- collecting and processing mining fees, and

[13]The MLR appropriation is also available for a number of other activities, including Land Resources, Wildlife and Fisheries, Recreation, Energy and Minerals, Threatened and Endangered Species, Resource Protection and Maintenance, and Realty and Ownership.

[14]The Department of the Interior and Related Agencies Appropriations Act of 1995 imposed a funding moratorium on the processing and issuing of mineral patents. Section 113 of that act limited the issuance of future/additional mineral patents to only those applications that were at a certain stage in obtaining a patent (i.e. those for which a "First Half of Mineral Entry Final Certificate" was granted or pending) prior to October 1, 1994. Patent applications that were at this stage prior to October 1, 1994, are referred to as "grandfathered." The moratorium has been continued annually in each appropriations act.

- collecting and processing waivers of maintenance fees.[15]

Objectives, Scope, and Methodology

We examined how labor was charged to MLAP by BLM during the first 10 months of fiscal year 2000. We also examined BLM's methodology for identifying contracts and services that were improperly charged to MLAP during fiscal years 1998 and 1999 and evaluated the processes and procedures developed to correct the improper charges. We also asked employees whether they were familiar with the source of MLAP funding.

To accomplish our first objective, we obtained records for MLAP's fiscal year 2000 collections and labor obligations from BLM's accounting and payroll systems and conducted a statistically representative survey o 125 BLM employees who charged time to MLAP during the period of October 1, 1999, to July 15, 2000. Our review focused on nine of BLM's administrative states and offices: Alaska, California, Colorado, Eastern States, Nevada, New Mexico, Oregon, Utah, and Washington Office. To accomplish our second objective, we reviewed the documentation used in BLM's review of the contracts and services over $1,500 charged to MLAP for fiscal years 1998 and 1999, a total of 491 contracts. These 491 contracts represented over $8.0 million, or 89.3 percent, of the contracts and services charged to MLAP during this time period. For our third objective we included a question in our survey asking employees whether they were aware of the source of funding for MLAP.

We did not independently verify the reliability of the accounting data provided nor did we trace the data to the systems from which they came. We conducted our work from August 2000 through December 2000 in accordance with generally accepted government auditing standards. A detailed discussion of our objectives, scope, and methodology is contained in appendix I of this report. BLM provided written comments on a draft of our report. The comments have been incorporated as appropriate and are reprinted as appendix II. We considered but did not reprint the attachment referred to in BLM's comment letter.

[15]Holders of 10 and fewer mining claims or sites may apply for a waiver of the payment of mining maintenance fees. These individuals must file an affidavit certifying the performance of $100 of assessment work per claim or site annually.

Some Labor Costs Were Improperly Charged to MLAP

The results of our survey indicated that BLM employees' hours charged to MLAP were not a reliable record of hours actually worked on that program. According to employees, hours were often charged to MLAP in excess of hours worked or for work unrelated to mining. In addition, individuals received bonuses or awards from MLAP funds although they charged no labor to the program. An accurate accounting of MLAP costs is crucial for proper program management and accountability and serves as a basis for estimating future costs when preparing and reviewing budgets. Proper tracking and recording of MLAP costs is especially important since this program is partially funded through mining fees that Congress has made available only for mining law administration program operations.

BLM's *Fund Coding Handbook* recognizes the importance of charging labor to the appropriate benefiting subactivity and that accurate records of actual costs and accomplishments are crucial for planning and decision-making purposes. Specifically, the handbook states:

> "Charging work tasks, employee salaries, procurement or contract items, or equipment purchases to any subactivity other than the benefiting subactivity violates the terms of the Appropriations Act. Similarly, when procurements are charged to a given subactivity simply because "money is available there" but have no direct relationship to subactivity's program accomplishment, is a violation of the integrity of managers' financial management responsibility and both the specific policy decisions and the direction of proper authorities in setting those requirements. Future year program needs and requirements are based in part on the record of past years' costs and accomplishments. Therefore, records of actual costs and accomplishments must be accurate as possible."

Time Charges Differ From Hours Worked

While approximately one-half of the BLM employees stated that they worked and charged the same amount of time to MLAP, we found that 38.9 percent charged more time to MLAP than they actually worked. Of this 38.9 percent, 17.6 percent[16] of the employees stated that they did not work on MLAP at all during the 10 months of our study period, although a portion of their labor had been charged to the program. In contrast, approximately 11.4 percent of BLM employees reported charging less time to MLAP than they actually worked. These results are summarized in table 1.

[16]The 17.6 percent includes 10.4 percent of the employees who stated that they did no work on MLAP and charged the program and 7.2 percent of the employees who stated that they did no work on MLAP and did not recollect charging the program during the 10 months of our study. However, BLM records indicate that a portion of the labor for the 7.2 percent was charged to MLAP.

Table 1: MLAP Time Worked Versus Time Charged

Time worked and charged to MLAP	Percent
Worked and charged the same time to MLAP	49.7
Worked less time than charged to MLAP	38.9
Worked more time than charged to MLAP	11.4
Total	**100.0**

Our survey results showed that there were wide variations between the hours worked and the hours charged to the program among the employees who did not work and charge the same amount of time to MLAP. For example, we found three respondents who reported working 50, 70, and 75 percent of their time on MLAP during our study period, but charged 100 percent of their time to the program. One respondent reported doing no work on MLAP and charging 60 percent of the work hours to the program. In contrast, another respondent reported working 60 percent of the time on MLAP and charging only 11 percent to the program.

From our survey results, we were able to compute the total number of hours worked and charged to the program and calculate an estimated net overcharge to the program of about 10.8 percent. Based on this percentage being applied to the 10-month MLAP payroll of approximately $11.4 million for the nine administrative states and offices under review, we estimate the potential net dollar overcharge to MLAP to be about $1.2 million. The total MLAP payroll for all states and offices was approximately $24.0 million for fiscal year 2000.

We asked the employees who stated that they charged more time to MLAP than they worked to explain why the additional time was charged to MLAP. During survey pretesting we had identified four possible explanations, including: (1) time was charged based on the funding allocations (in other words, charges were made to subactivities from which funds were available for obligation rather than from the subactivity related to the task), (2) time was charged based on the directions of a supervisor, (3) time was charged based on the directions of a budget officer, and (4) no other codes were available to charge (for example, the task being done may not have been anticipated in the budget allocation and therefore the proper subactivity code was not available to the office). The results of their responses are presented in table 2. Employees could provide more than

one explanation for the overcharging; therefore the percentages in the table total to more than 100 percent.

Table 2: Explanations for Overcharging Labor to MLAP

Reasons cited for MLAP overcharges	Percent
Time charged based on funding allocation	56.3
Time charged based on directions of supervisor	27.5
Time charged based on directions of budget officer	22.1
No other codes available to charge	11.1
Other[a]	38.1

[a]An "Other" category was included so that employees could specify explanations other than the four listed. Several of the explanations included in this category were similar to the four listed in the survey. However, we did not attempt to reclassify them. Employees also cited the use of precoded timesheets as an additional explanation in this category.

In addition, we asked the employees who stated that they charged more time to MLAP than they worked to specify the tasks that they had charged to MLAP. They reported charging time for such non-MLAP related tasks as processing and approving applications to drill oil and gas wells, working on environmental remediation projects, doing recreation management, and performing vehicle maintenance. BLM officials stated that work involving these tasks should not have been charged to MLAP. Employees also stated that they had charged MLAP for labor involved in preparing mineral reports for land exchanges and conducting work on common variety minerals, such as sand and gravel. BLM officials stated that charging these tasks to MLAP would be improper except for specific and unique cases—for example, preparing a mineral report on a land exchange involving a mining claim or making a validity determination on a mining claim involving sand and gravel deposits. Our survey did not address whether the tasks charged to MLAP were for any of these specific and unique cases.

Some BLM employees expressed uncertainty as to which tasks were appropriate to charge to MLAP. For example, some employees stated that work on mineral reports for land exchanges or abandoned mine lands should not be charged to MLAP, while other employees told us that they believed that any mineral-related tasks, including work on sand and gravel operations, could be properly charged to MLAP.

All of the employees were asked whether they alone determined which subactivity, including MLAP, would be charged for their labor. In our study population, 68.5 percent of the employees responded that they had received directions as to which subactivity to charge. Of these 68.5 percent, approximately 66.3 percent[17] stated that they received either written or verbal direction from their supervisor and 55.7 percent[18] stated that they received either written or verbal direction from the budget officer/official. In total, 93.7 percent[19] of these employees received written or verbal direction from either a supervisor or budget officer.

Labor obligations represent a significant portion of total MLAP obligations—about 73.6 percent in fiscal year 2000—therefore, improperly charging labor to MLAP could result in the Congress and program managers using program cost information that is significantly misstated.[20]

MLAP Funds Improperly Used to Pay Certain Bonuses and Awards

From BLM's accounting records we identified 27 individuals who received approximately $34,000 in bonuses or awards financed by MLAP funds, but who had not charged any hours to the program. Because there were no hours charged, these individuals were excluded from our survey; however, we did contact BLM officials to determine the reasons for nine of the awards and bonuses.

As stated previously, BLM's policy is that labor associated with any task should be charged to the subactivity benefiting from that labor. In addition, we interviewed BLM's Director of Budget to determine BLM's policy for charging bonuses and awards. He stated that any bonuses and awards received as a result of the labor performed should also be charged to the subactivity that benefited from that labor.

[17]The 95-percent confidence interval for this estimate is from 57.1 to 75.6 percent.

[18]The 95-percent confidence interval for this estimate is from 45.6 to 65.8 percent.

[19]Employees could provide more than one explanation, therefore the percentages listed above do not total to 100 percent.

[20]Improper charges to funds that are available only for MLAP operations would also result in a purpose violation under 31 U.S.C. § 1301(a). Our survey did not address whether the tasks charged to MLAP constituted purpose violations and we have not made those determinations.

We found that five awards had been given to employees working on a special project requiring the collection of mining claim documents for the Department of the Interior's Office of the Solicitor General. They received awards from MLAP funds, even though the hours and associated labor for the special project were not charged to MLAP. BLM officials stated that charging these awards to MLAP was appropriate and that the associated labor should also have been charged to the program. Not charging the associated labor costs to MLAP resulted in program costs being understated.

The remaining four awards were given to individuals for (1) researching historical land data for a land withdrawal program, (2) assisting in the moving of a BLM office to a new facility, (3) selling a private residence as part of a lateral transfer and not using BLM's relocation service, and (4) performance resulting in an end-of-year bonus to a Lands and Realty specialist. When asked why these four individual bonuses and awards had been charged to MLAP, BLM officials either could provide no explanation or stated that MLAP had been charged by mistake.

These over- and under-charges to MLAP further distort the cost of the program and undermine the usefulness of MLAP operating data for decision-making or performance reporting purposes.

BLM Effectively Identified Contracts and Services Improperly Charged to MLAP but Needs Additional Procedures to Prevent Recurrence

As a result of findings discussed with BLM management and provided in an April 2000 congressional briefing, the Acting Director of BLM directed BLM's administrative states and offices to review contracts and services costing over $1,500 that were charged to MLAP during fiscal years 1998 and 1999. The contracts reviewed represented over $8.0 million, or 89.3 percent, of the contracts and services obligated to MLAP during this time period. The methodology BLM used to identify contracts and services improperly charged to MLAP during fiscal years 1998 and 1999 was reasonable and resulted in BLM determining that about $716,000 in

contracts and services should not have been charged to MLAP.[21] These improper payments included:

- over $34,000 for janitorial services,
- $30,000 for the appraisal of federal coal leaseholds,
- $25,000 for an attorney in an Equal Employment Opportunity settlement for an employee who had not worked on MLAP tasks,
- $2,800 for a cultural survey of an area prior to an off-highway vehicle and motorcycle race, and
- $2,000 for a habitat survey of a threatened and endangered species of butterfly in an area with no active mining.

In addition, on the basis of our review, we questioned whether an additional $40,000 for two contracts and services were improperly charged to MLAP. These contracts and services were for a cooperative agreement for Geographic Information System (GIS) support and a biological survey. BLM officials concurred and stated that correcting adjustments would be made to the proper appropriation for the additional $40,000.

BLM prepared Instruction Memorandum 2000-148 (IM-148) to provide guidance on correcting the contracts and services charges that were improperly charged to MLAP in fiscal years 1998 and 1999. IM-148 required all offices that had improperly charged contracts and services to MLAP to develop implementation plans to replace the funds and submit those plans to BLM's Director of Budget. Fourteen administrative states and offices developed and submitted implementation plans to make about $716,000 in correcting adjustments.

These correcting adjustments must be made to the appropriations that were properly available when the obligations were incurred and BLM's records adjusted accordingly to charge that appropriation. BLM officials have told us that they are identifying the appropriations for fiscal years 1998 and 1999 that should have been charged for the costs of these contracts and services and that there are sufficient funds to make the correcting adjustments of about $716,000. According to BLM's *Reports on*

[21]Since the mining fees are only available for MLAP operations, use of these funds for other purposes would constitute a purpose violation under 31 U.S.C. § 1301(a), which provides that appropriations shall only be used for the objects for which the appropriations were made. In order to correct a purpose violation, an agency must identify the appropriation that was properly available when the obligations were incurred and adjust its records to charge that appropriation.

Budget Execution filed with the Office of Management and Budget for the fourth quarters of fiscal years 1998 and 1999, MLR unobligated balances were $54 million and $32 million, respectively.

On the basis of our review, we determined that BLM offices have complied with all of the requirements in IM-148. While the memorandum stated that all funds, not just MLAP funds, should be expended appropriately and costs properly recorded in BLM's financial management systems, it did not establish any additional procedures on how to implement this policy to prevent future improper charging of MLAP funds. Therefore, until additional procedures specifically for MLAP are established and implemented, BLM has little assurance that improper charging of MLAP funds will not recur in the future.

Many Employees Are Unaware of Source of MLAP Funding

Finally, as requested, in our survey we asked BLM employees whether they were aware of the source of funding for MLAP. Approximately 47.7 percent of BLM employees stated that they were not aware of the source of funding for MLAP programs. In addition, of the 52.3 percent of employees who stated that they were aware of the source for this funding, about 42.5 percent[22] did not know that the funding was based in part on mining fees and designated for MLAP operations. In total, an estimated 69.9 percent of BLM employees were either not aware of the source of MLAP funding or did not know that the program is partially funded by fees collected from miners that are legally available only for MLAP operations.

Conclusions

The Congress and program managers need accurate cost information in order to make informed program and budgeting decisions. BLM's *Fund Coding Handbook* recognizes that accurate records of costs and accomplishments are critical for planning and decision-making. However, the results of our work at BLM show that BLM's financial records have not accurately reflected the true costs of its programs because the costs of some labor and a number of contracts and services costs were not charged to the appropriate program. Other subactivities have benefited from the charging of these improper costs to MLAP. Correspondingly, fewer funds have been available for actual MLAP operations. BLM has taken steps to make correcting adjustments for certain of these improper charges,

[22]The 95-percent confidence interval for this estimate is from 31.1 to 53.8 percent.

including the development of an Instruction Memorandum. However, the memorandum dealt only with improper charges occurring in fiscal years 1998 and 1999 and did not establish specific guidance or procedures to prevent improper charging of MLAP funds from recurring in the future. Therefore, until additional procedures for MLAP are developed and implemented, the Congress and program managers can place only limited reliance on the accuracy of MLAP cost information.

Recommendations for Executive Action

We recommend that the Director of the Bureau of Land Management take the following four actions:

- make correcting adjustments for improper charges to appropriation accounts;
- remind employees that time charges and other obligations are to be made to the benefiting subactivity as stated in BLM's Fund Coding Handbook and develop a mechanism to test compliance;
- provide detailed guidance clarifying which tasks are chargeable to MLAP operations, such as those listed in the background section of this report; and
- conduct training on this guidance for all employees authorized to charge MLAP.

Agency Comments

In commenting on a draft of this report, BLM concurred with the findings and recommendations contained in our report. BLM's response indicated a number of actions it planned to take to address the respective recommendations. Additionally, BLM indicated it would endeavor to improve monitoring guidance and training to ensure the accuracy of costs associated with MLAP. BLM's comments have been incorporated as appropriate and are reprinted as appendix II. We considered but did not reprint the attachment referred to in BLM's comment letter.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this report. At that time, we will send copies to the Ranking Members, Senate Committee on Energy and Natural Resources and its Subcommittee on Forests and Public Land Management; the Ranking Minority Members, House Committee on Resources and its Subcommittee on Energy and Mineral Resources; Honorable Gale Norton, the Secretary of

the Interior; and Nina Hatfield, the Acting Director of the Bureau of Land Management. Copies will also be made available to others upon request.

If you or your staff have any questions concerning this report, please contact me at (202) 512-9508 or Mark Connelly, Assistant Director, a (202) 512-8795. Key contributors to this assignment are listed in appendix III.

Linda M. Calbom
Director, Financial Management and Assurance

List of Requesters

The Honorable Frank Murkowski
Chairman
Committee on Energy and Natural Resources
United States Senate

The Honorable Larry E. Craig
Chairman
Subcommittee on Forests and Public Land Management
Committee on Energy and Natural Resources
United States Senate

The Honorable James Hansen
Chairman
Committee on Resources
House of Representatives

The Honorable Don Young
Vice-Chairman
Committee on Resources
House of Representatives

The Honorable Barbara Cubin
Chairman
Subcommittee on Energy and Mineral Resources
Committee on Resources
House of Representatives

Objectives, Scope, and Methodology

Our review examined labor charged to the Mining Law Administration Program (MLAP) by the Department of the Interior's Bureau of Land Management (BLM) during the first 10 months of fiscal year 2000. We also examined BLM's methodology for identifying contracts and services that were improperly charged to MLAP during fiscal years 1998 and 1999 and evaluated the processes and procedures developed to correct those improper charges. Finally, we determined whether BLM employees were aware of the source of MLAP funding.

To accomplish our first objective, we obtained the records for MLAP's fiscal year 2000 collections and labor obligations from BLM's accounting and payroll systems. During fiscal year 2000, BLM collected over $22.7 million in MLAP fees, with BLM's Nevada State Office collecting approximately $11.1 million, or approximately 48.9 percent of the total collections. In the same year, MLAP reported obligations totaling approximately $32.6 million.

As agreed, our review focused on BLM employees charging time to or receiving pay from the Mining Law Administration Program in Alaska, California, Colorado, Eastern States, Nevada, New Mexico, Oregon, Utah, and Washington Office for the period October 1, 1999, through July 15, 2000. The nine administrative states and offices reported MLAP obligations of over $23.4 million, representing approximately 72 percent of total MLAP obligations. BLM classified these obligations as either labor or operational in purpose. Labor obligations, including leave surcharge, for the nine administrative states and offices totaled over $17.4 million, over 74 percent of the total obligations for the nine administrative states and offices in fiscal year 2000.

Survey Sample

In order to evaluate labor charges to MLAP by BLM during fiscal year 2000, we conducted a statistically representative survey of BLM employees who had charged MLAP during this 10-month period. The survey included questions regarding employees' time keeping and reporting practices during the survey period, the tasks they worked on, and the subactivities charged for their work. We specifically asked employees in our survey whether they were aware of the source of MLAP funding. Estimates included in this report are representative of the study population for this 10-month period.

Survey Sample Design

The study population consisted of 744 BLM employees for whom work was charged to MLAP appropriation account during the period of October 1, 1999, through July 15, 2000, in the nine administrative states and offices listed above. Excluded from the study population were those employees who did not charge work to MLAP, even if they had other charges to the funds appropriated for MLAP operations.[1]

The sample design for this study is a single-stage stratified sample of the employees in the study population. The nine administrative states and offices are the strata for our study population. The sample of 125 employees was selected from the strata in proportion to the study population in each stratum. We obtained 116 useable responses from this sample. The population, sample allocation, and sample disposition are summarized in the following table.

Table 3: Sample Size, Disposition, and Response Rates

		Disposition of sample			
Sample strata (states/offices)	**Population size**	**Sample size**	**Could not reach**	**Useable responses**	**Response rate (%)**
Alaska	57	10	0	10	100
California	110	18	2	16	89
Colorado	86	14	0	14	100
Eastern States Office	23	4	0	4	100
New Mexico	65	11	2	9	82
Nevada	167	28	1	27	96
Oregon	103	18	1	17	94
Utah	81	13	0	13	100
Washington Office	52	9	3	6	67
Total	**744**	**125**	**9**	**116**	**92.8**

[1]BLM's records for MLAP included entries for 27 employees who had received bonuses and awards using MLAP funds, but had charged no time to the program. The records also included entries for 22 employees for simple accounting adjustments. These 49 employees were not included in the study population. However, we did separately analyze the bonuses and awards to the 27 employees, and the results of this analysis are included in our report.

Questionnaire Design

The survey questionnaire was pretested twice and then distributed to survey participants in advance of the telephone interviews. Interviewers used a computer-assisted data entry program to conduct the telephone interviews and to input the sample data into a database.

Survey Administration

This was a telephone survey, with hard copy of the questionnaire made available to the respondent a couple days prior to the telephone interview. Data were collected between October 25 and November 20, 2000. Follow-up interviews were performed between November 21 and December 21, 2000.

Survey Response

We received useable responses from 116 sampled employees for an overall response rate of 92.8 percent. The nonrespondents consisted of nine individuals who were no longer BLM employees and could not be located, had retired, or were on extended sick leave. Response rates by strata are summarized in table 3.

Calculation of Survey Estimates

After weighting survey responses to account for selection probabilities and nonresponses, estimates were produced for various characteristics of the study population.

Sampling Error

Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95-percent confidence interval (for example plus or minus 9 percentage points). This is the interval that would contain the actual population value for 95 percent of samples we could have drawn. As a result, we are 95-percent confident that each of the confidence intervals in this report will include the true values in the study population.

In this report, all percentage estimates from MLAP survey have sampling errors of plus or minus 9 percentage points or less, unless otherwise noted.

Nonsampling Error

In addition to the reported sampling errors, the practical difficulties of conducting any survey may introduce other types of "nonsampling" errors. For example, differences in how a particular question is interpreted, the sources of information that are available to respondents, or the types of employees who do not respond can all introduce unwanted variability into the survey results.

Although we did not verify respondents' answers, we did include steps in the questionnaire design, data collection, data entry, and analysis processes to minimize nonsampling errors. Specifically, we modified our questions based on pretests to make them more understandable and easier to answer. We made repeated attempts to contact sample employees to encourage a high level of response that would reduce any potential nonresponse bias. As data were keyed, they were automatically checked for internal consistency and for out-of-range values. An additional review of survey estimates revealed internally inconsistent data between two questions for eight survey respondents. We made follow-up phone calls to these respondents and reconciled the noted inconsistencies.

Another potential source of nonsampling error in this survey would be the reporting of information for the wrong time period. Estimates from this survey are only applicable to the time period from October 1, 1999, to July 15, 2000. In order to reduce the possibility that respondents might report on labor performed after the end of the study period, language was included with many of the survey questions to remind the respondent that they should only respond about labor performed during the study period.

Limitations of the Survey

Estimates from this survey are only applicable to the time period from October 1, 1999, to July 15, 2000, and cannot accurately represent labor performed over the entire fiscal year. For example, if employees tended to charge more or less time than worked to certain programs during the last 2 months of the fiscal year, that labor would not be reflected in survey estimates.

Our study population was limited to those BLM employees who charged work to MLAP during the study period. Consequently, the estimates from the MLAP survey would not reflect any labor by employees who worked on MLAP during the study period but did not charge the program.

Nonsurvey Work

In addition to our statistically representative telephone survey, we conducted telephone interviews with judgmentally selected BLM employees who had received awards or bonuses from MLAP, but had not charged any time to the program.

To accomplish our second objective, we reviewed the documentation used in BLM's review of the contracts and services over $1,500 charged to MLAP for fiscal years 1998 and 1999, a total of 491 contracts. These 491 contracts represented over $8.0 million, or 89.3 percent, of the contracts and services obligated to MLAP during this time period. We conducted walkthroughs of the procedures BLM performed in that review and evaluated BLM's criteria for determining appropriate use of MLAP funds. We also interviewed field office personnel regarding internal controls associated with the requisition and approval of contracts and services. In order to review BLM's procedures for making correcting adjustments for improper charges to MLAP, we obtained and reviewed BLM's Instruction Memorandum No. 2000-148 (IM-148), which required all offices that had improperly charged contracts and services to MLAP to develop implementation plans for the replacement of the miscoded MLAP funds and submit those plans to BLM's Director of Budget. We then interviewed BLM officials responsible for coordinating the implementation of IM-148, reviewed the procedures taken to comply with IM-148's requirements, and verified that the procedures had been followed by reviewing the pertinent documentation, including implementation plans, reports of budgetary transactions, and budget control printouts. We compared the contracts and services listed in the transactions reports prepared by BLM's Man'agement Information System with the lists of contracts and services submitted by BLM's administrative states and offices to test the completeness of BLM's sample. Finally, we reviewed the 491 contract amounts using the documentation provided to BLM. We examined the amounts cited, the services provided, and the justifications given in order to verify that the charges to MLAP were appropriate.

We did not independently verify the reliability of the accounting data provided nor did we trace the data to the systems from which they came. We conducted our work from August 2000 through December 2000 in accordance with generally accepted government auditing standards.

Comments From the Department of the Interior

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

FEB 28 2001

In Reply Refer To:
3800 (320)

Ms. Linda M. Calbom
Director, Financial Management and Assurance
United States General Accounting Office
Washington, DC 20548

Dear Ms. Calbom:

Thank you for the opportunity to respond to the draft report entitled, "**BUREAU OF LAND MANAGEMENT Improper Charges Made to Mining Law Administration Program**" (GAO/01-356), dated March 2001. The Bureau of Land Management (BLM) concurs with the findings of this report and with the four recommendations it contains. Included with our responses to the recommendations is a suggested change on page 3 of the report.

The BLM appreciates the advice and assessment the GAO has given to our Mining Law Administration Program. We are aware of our responsibility to account for the costs crucial to the proper management of this Program. The BLM will endeavor to improve monitoring, guidance and training to ensure the accuracy of costs associated with the Mining Law Administration Program.

If you have further questions, please contact Brenda Aird, Group Manager, Solids Minerals at (202) 452-0351 or Rebecca Mack, Management Systems Group, at 202/452-5047.

Sincerely,

Piet deWitt

Piet deWitt
Acting Assistant Secretary, Land
and Minerals Management

Enclosure

BUREAU OF LAND MANAGEMENT
IMPROPER CHARGES MADE TO MINING LAW ADMINISTRATION PROGRAM
Draft Report GAO/01-356

The Bureau of Land Management (BLM) concurs with the findings and recommendations contained in the report. However, we suggest that on page 3, 2nd paragraph, 2nd sentence the phrase, *"preparing mineral reports;"* be changed to *"preparing mineral reports in support of non-mining law actions."*

Recommendation 1: Make correcting adjustments for improper charges to appropriation accounts.

Response: The BLM has made the adjustments totaling $716,000 for the miscoded charges on contracts $1,500 and above for Fiscal Years 1998 and 1999. To address miscoding of labor, we would like an opportunity to review the auditors' work papers and, to the extent practicable, based on the auditors' work we will make adjustments to the Mining Law Administration Program funding of inappropriate obligations. Prospectively, the BLM is focusing on gathering information from all field offices to assist in making future funding shifts to ensure that mining law workloads are consistent with mining law funding and workforce availability. On January 11, 2001, the BLM issued IM. No. 2001-069, *Workforce, Skills and Workload Analysis of the Mining Law Administration Program* (attached), requesting information from each BLM Field Office.

In addition, consistent with Recommendations 2, 3 and 4, the BLM will provide guidance in the form of an Instruction Memorandum (IM) to ensure that labor is charged to the Mining Law Administration Program (MLAP) appropriately. The guidance will be issued within 60 days, when the BLM will conduct a detailed review of its FY2001 performance and fiscal status. The Director will require all State and Office Directors to provide a detailed accounting of expenditures attributed to the MLAP during this review. The success of these actions will be monitored through spot checks, evaluations and reviews of financial and performance data entered into the BLM's Management Information System (MIS).

Recommendation 2: Remind employees that time charges and other obligations are to be made to the benefitting subactivity as stated in BLM's Fund Coding Handbook.

Response: The BLM will send out the IM mentioned in the response to "Recommendation No. 1" that will reiterate our policy on coding to the benefitting subactivity.

Recommendation 3: Provide detailed guidance clarifying which tasks are chargeable to MLAP operations, such as those listed in the background section of this report.

Response: The IM also will provide guidance on the tasks that are appropriate to charge to the MLAP. The BLM will monitor the success of this guidance by spot checks and monitoring of costs entered into the MIS. Any questionable charges will be brought to the attention of the appropriate office, and any miscoded charges will be adjusted.

Recommendation 4: Conduct training on this guidance for all employees authorized to charge MLAP.

Response: As mentioned previously, the BLM has issued IM. No. 2001-069, dated January 11, 2001 (attached), requesting information from the BLM Field Offices on *Workforce, Skills and Workload Analysis of the Mining Law Administration Program.* This will give BLM the opportunity to analyze the results; and if necessary, shift and refocus resources to meet program goals. BLM will conduct training consistent with available funding.

The responsible official for the implementation of the above recommendations is the Assistant Director for Minerals, Realty and Resource Protection.

Staff Acknowledgments

Mark P. Connelly, Edda Emmanuelli-Perez, Lisa M. Knight, W. Stephen Lowrey, Miguel A. Lujan, Mark F. Ramage, Shannah B. Wallace, and McCoy Williams made key contributions to this report.

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