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OIL AND GAS MANAGEMENT

Continued Attention to Interior's Human Capital Challenges Is Needed

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GAO Highlights

Highlights of GAO-14-394T, a testimony before the Subcommittee on Energy and Mineral Resources, Committee on Natural Resources, House of Representatives

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OIL AND GAS MANAGEMENT

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Why GAO Did This Study

Interior employs a wide range of highly trained specialists and scientists with key skills to oversee oil and gas operations on leased federal lands and waters. GAO and others have reported that Interior has faced challenges hiring and retaining sufficient staff to carry out these responsibilities. In February 2011, GAO added Interior's management of federal oil and gas resources to its list of programs at high risk of fraud, waste, abuse, and mismanagement in part because of Interior's long-standing human capital challenges.

This testimony and the January 2014 report on which it is based address (1) the extent to which Interior continues to face challenges hiring and retaining key oil and gas staff and the causes of these challenges, (2) Interior's efforts to address its hiring and retention challenges, and (3) the effects of hiring and retention challenges on Interior's oversight of oil and gas activities. To do this work, GAO surveyed all 44 Interior offices that oversee oil and gas operations, of which 40 responded; analyzed offshore inspection records and other documents; and interviewed agency officials.

What GAO Recommends

In its January 2014 report, GAO recommended that Interior explore its oil and gas management bureaus' expanded use of recruitment, relocation, retention, and other incentives and systematically collect and analyze hiring data. Interior generally agreed with GAO's recommendations. GAO is not making any new recommendations in this testimony.

View GAO-14-394T. For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

What GAO Found

The Department of the Interior continues to face challenges hiring and retaining staff with key skills needed to manage and oversee oil and gas operations on federal leases. Interior officials noted two major factors that contribute to challenges in hiring and retaining staff: lower salaries and a slow hiring process. In response to GAO's survey, officials from a majority of the offices in the three Interior bureaus that manage oil and gas activities—the Bureau of Land Management (BLM), the Bureau of Ocean Energy Management (BOEM), and the Bureau of Safety and Environmental Enforcement (BSEE)—reported ongoing difficulties filling vacancies, particularly for petroleum engineers and geologists. Many of these officials also reported that retention is an ongoing concern as staff leave for positions in industry. Bureau of Labor Statistics data confirm a wide gap between industry and federal salaries for petroleum engineers and geologists. According to Office of Personnel Management (OPM) data, the fiscal year 2012 attrition rate for petroleum engineers at BLM was over 20 percent, or more than double the average federal attrition rate of 9.1 percent. Field office officials stated that attrition is of concern because some field offices have only a few employees in any given position, and a single separation can significantly affect operations. Additionally, Interior records show that the average time required to hire petroleum engineers and inspectors in recent months generally exceeded 120 calendar days—much longer than OPM's target of 80 calendar days.

Interior and the three bureaus—BLM, BOEM, and BSEE—have taken some actions to address their hiring and retention challenges, but they have not fully used their existing authorities to supplement salaries or collect and analyze hiring data to identify the causes of delays in the hiring process. For instance, BLM, BOEM, and BSEE officials said that recruitment, relocation, and retention incentives are key options to help hire and retain staff, but the bureaus' use of these incentives to attract and retain petroleum engineers and inspectors has been limited for various reasons. Moreover, Interior and its bureaus have taken some steps to reduce hiring times, but they do not have complete and accurate data on hiring times. For instance, while BSEE and BOEM collect hiring data on a biweekly basis, the data are used primarily to track the progress of individual applicants as they move through the hiring process. Likewise, a BLM official stated that the bureau does not systematically analyze data on hiring times. Without reliable data on hiring times, Interior's bureaus cannot identify how long it takes to complete individual stages in the hiring process or effectively implement changes to expedite the hiring process.

According to BLM, BOEM, and BSEE officials, hiring and retention challenges have made it more difficult to carry out oversight activities in some field offices. For example, many BLM and BSEE officials GAO surveyed reported that vacancies have resulted in a reduction in the number of inspections conducted. As a result of these challenges, bureau officials cited steps they have taken to address vacancies in key positions, such as borrowing staff from other offices or using overtime, but these are not sustainable, long-term solutions.

Chairman Lamborn, Ranking Member Holt, and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of the Interior's challenges to hiring and retaining staff to manage and oversee oil and gas activities on leased federal lands and waters. Interior plays an important role in permitting the development of new oil and gas wells on federal lands and waters and inspecting those wells to ensure compliance with environmental, safety, and other regulations.

In recent years, federal leases onshore and in offshore federal waters produced a substantial portion of the natural gas and oil produced in the United States. In 2012, onshore federal leases produced 13 percent of domestic natural gas and 5 percent of domestic oil, while in 2011—the most recent year for which data are available—offshore federal leases produced almost 24 percent of domestic natural gas and over 6 percent of domestic oil. Increasing oil prices, along with advances in technologies, such as hydraulic fracturing and horizontal drilling in shale plays onshore, and deepwater drilling offshore, have made it possible to develop substantially more oil and gas resources. Such technological advances make it imperative that Interior hire and retain sufficient staff to oversee oil and gas activities on federal lands and waters.

Within Interior, three bureaus are responsible for regulating the processes that oil and gas companies must follow when leasing, drilling, and producing oil and gas from federal leases. The Bureau of Land Management (BLM) oversees onshore federal oil and gas activities, the Bureau of Ocean Energy Management (BOEM) oversees offshore oil and gas leasing, and the Bureau of Safety and Environmental Enforcement (BSEE) reviews applications for drilling and inspects offshore oil and gas activities.

Interior's management of oil and gas activities on federal leases has been the focus of a large body of our work over the past several years, and we have reported on the weaknesses and challenges to Interior's oversight of federal oil and gas and recommended specific actions to address them. In February 2011, we added Interior's management of federal oil and gas resources to GAO's list of programs at high risk of fraud, waste, abuse, and mismanagement in part because of Interior's long-standing and continued human capital challenges.[1] In July 2012, we reported, among other things, that BOEM and BSEE continued to face challenges hiring and retaining staff for oversight of oil and gas activities in the Gulf of Mexico, and did not have strategic workforce plans in place to outline strategies to address their human capital challenges.[2]

In this context, my testimony today discusses the findings from our recent January 2014 report on Interior's challenges in hiring and retaining sufficient staff to manage oil and gas activities on federal leases, as well as the status of recommendations from our prior work relating to Interior's human capital challenges.[3] Accordingly, this testimony addresses (1) the extent to which Interior continues to face challenges hiring and retaining key oil and gas staff and the causes of these challenges, (2) Interior's efforts to address its hiring and retention challenges, and (3) the effects of hiring and retention challenges on Interior's oversight of oil and gas activities.

Our January report included the results of a survey of management officials representing all 44 Interior offices responsible for oil and gas oversight operations—3 BOEM regional offices, 5 BSEE district offices and 3 BSEE regional offices, and 33 BLM field offices and 1 BLM state office. We received responses from 40 offices for an overall response rate of 91 percent. We also analyzed offshore inspection records and other documents and interviewed agency officials. Additional information on our scope and methodology is available in our January report. The work upon which this testimony is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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[1]GAO, *High-Risk Series: An Update,* GAO-11-278 (Washington, D.C.: Feb. 16, 2011).

[2]GAO, *Oil and Gas Management: Interior's Reorganization Complete, but Challenges Remain in Implementing New Requirements,* GAO-12-423 (Washington, D.C.: July 30, 2012).

[3]GAO, *Oil and Gas: Interior Has Begun to Address Hiring and Retention Challenges but Needs to Do More*, GAO-14-205 (Washington, D.C.: Jan. 31, 2014).

Interior Continues to Face Challenges Hiring and Retaining Key Oil and Gas Staff, Primarily Because of Higher Industry Salaries and the Lengthy Federal Hiring Process

We found that Interior continues to experience problems hiring and retaining sufficient staff to provide oversight and management of oil and gas activities on federal lands and waters. BLM, BOEM, and BSEE office managers we surveyed reported that they continue to find it difficult to fill vacancies for key oil and gas oversight positions, such as petroleum engineers, inspectors, geologists, natural resource specialists, and geophysicists. These managers reported that it was difficult to retain staff to oversee oil and gas activities because staff leave for higher salaries in the private sector. They also reported that high rates of attrition are a concern because some Interior offices have just one or two employees per position, so a single retirement or resignation can significantly affect office operations and oversight. Nearly half of the petroleum engineers that left BLM in fiscal year 2012 resigned rather than retired, suggesting that they sought employment outside the bureau. According to Office of Personnel Management (OPM) data, the fiscal year 2012 attrition rate for petroleum engineers at BLM was over 20 percent, or more than double the average federal attrition rate of 9.1 percent. We found hiring and retention problems were most acute in areas where industry activity is greatest, such as in the Bakken shale play in western North Dakota, because the government is competing there with industry for the same group of geologists and petroleum engineers.

Interior officials cited two major factors that affect the agency's ability to hire and retain sufficient staff to oversee oil and gas activities on federal leases:

- *Higher industry salaries*. BLM, BOEM, and BSEE office managers surveyed reported that they have lost potential applicants and staff to industry because it can pay higher salaries. Bureau of Labor Statistics data confirm that there is a wide and growing gap between industry and federal salaries for some positions, particularly petroleum engineers and geologists. For example, from 2002 through 2012, mean federal salaries for petroleum engineers have remained fairly constant at about $90,000 to $100,000 per year whereas private sector salaries have steadily increased from about $120,000 to over $160,000 during this same time period.

- *The lengthy federal hiring process*. BLM, BOEM, and BSEE officials surveyed reported that the federal hiring process has affected their ability to fill key oil and gas positions because it is lengthy, with multiple required steps, and that many applicants find other employment before the federal hiring process ends. We analyzed Interior's hiring data and found that the average hiring time for petroleum engineers was 197 days, or more than 6 months, at BOEM and BSEE. BLM fared a little better; its average hiring time for petroleum engineers was 126 days, or a little more than 4 months. However, all hiring times were much longer than 80 calendar days—OPM's target.

According to BLM, BOEM, and BSEE officials, other factors have contributed to difficulties hiring and retaining key oil and gas oversight personnel, such as few qualified applicants in remote areas, or areas with a high cost of living.

Interior Has Taken Some Actions to Address Hiring and Retention Challenges

Interior and its three bureaus—BLM, BOEM, and BSEE—have taken some steps to address hiring and retention challenges but could do more. Interior has used special salary rates and incentives to increase hiring and retention for key oil and gas positions, but use of these incentives has been limited. Interior has taken some steps to reduce the time it takes to hire oil and gas oversight staff but does not collect data to identify the causes of delays in the hiring process and opportunities for reducing them. Finally, Interior has taken some actions to improve recruiting, such as developing workforce plans to coordinate hiring and retention efforts, but this work is ongoing, and the extent to which these plans will help is uncertain.

Special salary rates. For fiscal years 2012 and 2013, Congress approved a special 25 percent base pay increase for geologists, geophysicists, and petroleum engineers at BOEM and BSEE in the Gulf of Mexico. According to Interior officials in the Gulf of Mexico, this special pay authority helped retain some geologists, geophysicists, and petroleum engineers, at least in the near term. BOEM and BSEE requested an extension of this special pay authority though fiscal year 2014. In 2012, BLM met with OPM officials to discuss special salary rates for petroleum engineers and petroleum engineering technicians in western North Dakota and eastern Montana, where the disparity between federal and industry salaries is most acute, according to a BLM official. A BLM official told us that OPM requested that BLM provide more data to support its request. The official also told us that BLM submitted draft language to Congress requesting special salary rates through a congressional appropriation. According to Interior officials, all three bureaus are preparing a department-wide request for special salary rates to submit to OPM.

Incentives. BLM, BOEM and BSEE have the authority to pay incentives in the form of recruitment, relocation, and retention awards of up to 25 percent of basic pay, in most circumstances, and for as long as the use of these incentives is justified, in accordance with OPM guidance, such as in the event an employee is likely to leave federal service. However, we found that the bureaus' use of these incentives has been limited. For example, during fiscal years 2010 through 2012, the three bureaus hired 66 petroleum engineers but awarded just four recruitment incentives, five relocation incentives, and four retention incentives. BLM awarded two of the four retention incentives in 2012 to help retain petroleum engineers in its North Dakota Field Office. OPM data showed that, in 2011, Interior paid about one-third less in incentive awards than it did in 2010. BLM officials cited various factors that contributed to the limited use of incentives, such as limited funds available for incentives. A BLM official also told us that there was confusion about an OPM and Office of Management and Budget (OMB) requirement to limit incentive awards to 2010 levels and that some field office managers were uncertain about the extent to which office managers were allowed to use incentive awards. Without clear guidance outlining when these incentives should be used, and a means to measure their effectiveness, we concluded that Interior will not be able to determine whether it has fully used its authority to offer incentives to hire and retain key oil and gas oversight staff.

Hiring times. To improve its hiring times, Interior participated in an OPM-led, government-wide initiative to streamline the federal hiring process. In 2009, a team of hiring managers and human resources specialists from Interior reviewed the department's hiring process and compared it with OPM's 80 calendar-day hiring target. The team identified 27 action items to reduce hiring times, such as standardizing position descriptions and reducing the number of managers involved in the process. Interior and its bureaus implemented many of the action items over the past few years and made significant progress to reduce hiring times, according to Interior officials and agency records. For example, BSEE reduced the time to select eligible applicants from 90 to 30 days by limiting the amount of time allowed for managers to review and select applicants. A BLM official told us that the bureau is working to automate vacancy announcements to improve the efficiency of its hiring process. However, neither the department nor the three bureaus have complete and accurate data on hiring times that could help them identify and address the causes of delays in the hiring process. Beginning in 2011, Interior provided quarterly data on hiring times to OPM, calculated based on Interior's personnel and payroll databases. However, we identified discrepancies in some of the data—for example, in some cases, hiring times were erroneously recorded as 0 or 1 day. In addition, none of the bureaus systematically analyze the data collected. For instance, BSEE and BOEM collect hiring data on a biweekly basis, but officials told us they use the data primarily to track the progress of individual applicants as they move through the hiring process. Likewise, a BLM official stated that the bureau does not systematically analyze data on hiring times. Without reliable data on hiring times, Interior’s bureaus cannot identify how long it takes to complete individual stages in the hiring process or effectively implement changes to expedite the hiring process.

Recruiting. BLM, BOEM, and BSEE have taken some steps to improve recruiting. In 2012, BOEM and BSEE contracted with a consulting firm to draft a marketing strategy highlighting the advantages of employment at the bureaus, such as flexible work hours and job security. BOEM and BSEE used this marketing strategy to revise the recruiting information on their external websites and develop recruiting materials such as brochures and job fair displays. According to a BLM workforce strategy planning document, the bureau is considering contracting with a consulting firm to review its recruiting strategy. All three bureaus are also visiting colleges and universities to recruit potential applicants for oil and gas positions, and each has had some success offering student intern positions that may be converted to full-time employment.

Workforce planning. Interior is participating in a government-wide initiative led by OPM to identify and address critical skills gaps across the federal government. The effort aims to develop strategies to hire and retain staff possessing targeted skills and address government-wide and department-specific mission-critical occupations and skill gaps. In March 2012, Interior issued a plan providing an overview of workforce planning strategies that it can use to meet emerging workforce needs and skills gaps within constrained budgets. As part of the next phase of this effort, Interior asked its bureaus to develop detailed workforce plans using a standardized model based on best practices used at Interior. Both planning efforts are ongoing, however, so it is too early to assess the effect on Interior’s hiring and retention challenges for key oil and gas positions at this time. BLM, BOEM, and BSEE are developing or implementing workforce plans as well. As we reported in July 2012, BOEM and BSEE did not have strategic workforce plans, and we recommended that the bureaus develop plans to address their hiring and retention challenges.[4] In September 2013, BSEE issued a strategic workforce plan, and BOEM officials told us that they expect to complete one in 2014. BLM issued a workforce planning strategy in March 2012 that outlined strategic objectives to address some of its key human capital challenges; however, this strategy does not include implementation; address challenges with the hiring process; or outline mechanisms to monitor, evaluate, or improve the hiring process; so it is too soon to tell whether BLM's planning strategy will help the bureau address its human capital challenges. Moreover, we found that the bureaus' efforts do not appear to have been conducted as part of an overarching workforce plan, or in a coordinated and consistent manner, therefore the bureaus do not have a basis to assess the success of these efforts or determine whether and how these efforts should be adjusted over time.

Hiring and Retention Challenges Have Made it More Difficult for Interior to Carry Out Some Oversight Activities

The BLM, BOEM, and BSEE officials that we interviewed and surveyed reported that hiring and retention challenges have made it more difficult to carry out their oversight activities. These officials stated that position vacancies have resulted in less time for oversight, and vacancies directly affect the number of oversight activities they can carry out—including the number of inspections conducted and the time for reviewing applications to drill. Officials at some BLM field offices told us that they have not been able to meet their annual inspection and enforcement goals because of vacancies.

Of the 20 offices with inspector vacancies that we surveyed, 13 responded that they conducted fewer inspections in 2012 compared with what they would have done if fully staffed, and 9 responded that the thoroughness of inspections was reduced because of vacancies. Of the 21 BLM and BSEE offices with petroleum engineer vacancies, 8 reported that they reviewed fewer applications to drill in 2012 compared with what they would have done if fully staffed.

BSEE officials told us that fewer or less-thorough inspections may mean that some offices are less able to ensure operator compliance with applicable laws and regulations and, as a result, there is an increased risk to human health and safety due to a spill or accident. According to a BSEE official, the longer federal inspectors are away from a site, the

[4] GAO-12-423.

more likely operators are to deviate from operating in accordance with laws and regulations.

Officials at each of the three bureaus cited steps they have taken to address vacancies in key oil and gas positions; specifically, reassigning staff from lower-priority to higher-priority tasks, borrowing staff from other offices, or increasing overtime. However, each of these steps comes at a cost to the agency and is not a sustainable solution. Interior officials told us that moving staff from lower to higher priority work means that the lower priority tasks—many of which are still critical to the bureaus' missions—are deferred or not conducted, such as processing permits. Likewise, offices that borrow staff from other offices gain the ability to carry out activities, but this comes at a cost to the office that loaned the staff. With regard to overtime, BOEM officials reported that a heavy reliance on overtime was exhausting their staff.

BLM and BSEE are developing and implementing risk-based inspection strategies—long recommended by GAO and others—as they work to ensure oversight resources are efficiently and effectively allocated; however, staffing shortfalls and turnover may adversely affect the bureaus' ability to carry out these new strategies. In 2010, we reported that BLM routinely did not meet its goals for conducting key oil and gas facility inspections, and we recommended that the bureau consider an alternative inspection strategy that allows for the inspection of all wells within a reasonable time frame, given available resources.[5] In response to this recommendation, in fiscal year 2011, BLM implemented a risk-based inspection strategy whereby each field office inspects the highest risk wells first. Similarly, BSEE officials told us that they have contracted with Argonne National Laboratory to help develop a risk-based inspection strategy.

In our January 2014 report, to address the hiring challenges we identified, we recommended that Interior explore its bureaus' expanded use of recruitment, relocation, retention, and other incentives and systematically

[5]GAO, *Oil and Gas Management: Interior's Oil and Gas Production Verification Efforts Do Not Provide Reasonable Assurance of Accurate Measurement of Production Volumes*, GAO-10-313 (Washington, D.C.: Mar.15, 2010).

collect and analyze hiring data. Interior generally agreed with our recommendations.[6]

Chairman Lamborn, Ranking Member Holt, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff members have any questions concerning this testimony, please contact me at (202) 512-3841 or ruscof@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Other individuals who made key contributions include Christine Kehr, Assistant Director; Mark Braza, Glenn Fischer, Michael Kendix, Michael Krafve, Alison O'Neill, Kiki Theodoropoulos, Barbara Timmerman, and Arvin Wu.

[6] GAO-14-205.

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