

GAO

Testimony

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House of Representatives

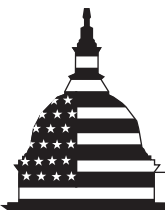
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**DEPARTMENT OF THE
INTERIOR**

**Major Management
Challenges**

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Highlights of [GAO-11-424T](#), a testimony statement before the Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives

Why GAO Did This Study

The Department of the Interior (Interior) is responsible for managing much of the nation's vast natural resources. Its agencies implement an array of programs intended to protect these resources for future generations while also allowing certain uses of them, such as recreation and oil and gas development. In some cases, Interior is authorized to collect royalties and fees for these uses. Over the years, GAO has reported on management challenges at Interior, which are largely characterized by the struggle to balance the demand for greater use of its resources with the need to conserve and protect them. Furthermore, given the government's long-term fiscal challenges, Interior faces difficult choices in balancing its responsibilities.

This testimony highlights some of the major management challenges facing Interior today. It is based on prior GAO reports.

What GAO Recommends

GAO has made a number of recommendations intended to improve Interior's programs by enhancing the information it uses to manage its programs and strengthening internal controls. Interior has agreed with most of the recommendations and taken some steps to implement them. However, Interior has been slow to implement other recommendations, such as developing a cohesive wildland fire strategy and improving oversight of oil and gas activities.

View [GAO-11-424T](#) or key components. For more information, contact Anu K.Mittal or Frank Rusco at (202) 512-3841 or mittala@gao.gov and ruscof@gao.gov, respectively.

March 1, 2011

DEPARTMENT OF THE INTERIOR

Major Management Challenges

What GAO Found

As GAO's previous work has shown, Interior faces major management challenges in the following seven areas:

Strengthening resource protection. Interior has not yet developed a cohesive strategy to address wildland fire issues as GAO has recommended in the past. In addition, Interior faces challenges in adapting to climate change and protecting and securing federal lands from illegal activities.

Strengthening the accountability of Indian and insular area programs. Having a land base is important to Indian tribal governments. Concerns remain about the effect of a February 2009 Supreme Court decision on the process for taking land in trust for tribes and their members. In addition, seven insular areas—four U.S. territories and three sovereign island nations—continue to face financial, program management, and economic challenges.

Improving federal land acquisition and exchanges. As the steward of more than 500 million acres of federal land, land sales, acquisitions, and exchanges are important land management functions for the department. The Federal Land Transaction Facilitation Act of 2000 has had limited success and Interior needs to better manage land exchanges and protect federal funds.

Reducing Interior's deferred maintenance backlog. While Interior has made progress improving information on maintenance needs, the dollar estimate of the deferred maintenance backlog for fiscal year 2010 was between \$13.5 billion and \$19.9 billion.

Management of federal oil and gas resources. GAO designated Interior's management of federal oil and gas resources as a governmentwide high-risk area in February 2011. Interior faces ongoing challenges in four broad areas: (1) oil and gas revenue collection, (2) management of human capital, (3) reorganization of the bureaus dealing with oil and gas issues, and (4) balancing timely and efficient oil and gas development with environmental stewardship responsibilities.

Generating revenue and enhancing financial assurances and bonds. Additional revenues could be generated by amending the General Mining Act of 1872 so that the federal government could collect federal royalties on minerals extracted from U.S. mineral rights. In addition, financial assurances and bonds from hardrock mining and oil and gas operations could be enhanced to help ensure the reclamation of federal land disturbed by these operations.

Improving information security. Interior has been challenged to effectively protect its computer systems and networks. The department has not consistently implemented effective controls to prevent, limit, and detect unauthorized access to its systems or manage the configuration of network devices to prevent unauthorized access and ensure system integrity.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to participate in your hearing on the major management challenges at the Department of the Interior (Interior). As the stewards for more than 500 million acres of federal land—about one-fifth of the total U.S. landmass—and more than 1.7 billion acres of the Outer Continental Shelf, Interior is responsible for a wide array of programs to ensure that our nation’s natural resources are adequately protected and that access to and use of those resources is appropriately managed. Interior’s mission is to provide for the environmentally sound production of oil, gas, minerals, and other resources found on the nation’s public lands; honor the nation’s obligations to American Indians and Alaska Natives; protect habitat to sustain fish and wildlife; help manage water resources in western states; and provide scientific and technical information to allow for sound decision-making about resources. In recent years, Congress has appropriated more than \$11 billion annually to meet these responsibilities. With these resources, Interior employs about 70,000 people in eight major agencies and bureaus at more than 2,400 locations around the country to carry out its mission. Interior’s management of this vast federal estate is largely characterized by the struggle to balance the demand for greater use of its resources with the need to conserve and protect them for the benefit of future generations. Furthermore, given the federal deficit and the government’s long-term fiscal challenges, Interior faces difficult choices in balancing its many responsibilities and protecting and improving the condition of the nation’s natural resources and the department’s infrastructure.

Our testimony today is an update of our March 2009 testimony before this subcommittee on Interior’s major management challenges.¹ Specifically, we will discuss management challenges in seven key areas: (1) resource protection; (2) Indian and insular area programs, which includes programs for four U.S. territories and three sovereign island nations, among others; (3) land acquisition and exchanges; (4) deferred maintenance; (5) federal oil and gas resources; (6) generating other revenue collections and enhancing financial assurances and bonds; and (7) improving information security. Our testimony is based on findings from a number of reports we have issued over the past few years on some of Interior’s natural resource management programs. See the list of related GAO products at the end of

¹GAO, *Department of the Interior: Major Management Challenges*, [GAO-09-425T](#) (Washington, D.C.: Mar. 3, 2009).

this statement. We conducted our work in accordance with all sections of GAO's Quality Assurance Framework that were relevant to the objectives of each engagement. The framework requires that we plan and perform each engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analyses conducted, provided a reasonable basis for the findings and conclusions in each report.

Strengthening Resource Protection

In fulfilling its resource protection functions, Interior has faced a number of management challenges in the past and will continue to face challenges in the future. In particular, based on our recent work, we would like to highlight three challenges in this area (1) protecting lives, property and resources from wildland fires; (2) adapting to climate change; and (3) protecting and securing federal lands from illegal activities.

Wildland Fire Management Challenges Persist

As we reported in our March 2009 testimony, Interior, working with the Department of Agriculture's Forest Service, has taken steps to help manage perhaps the agency's most daunting challenge—protecting lives, private property, and federal resources from the threats of wildland fire. However, our nation's wildland fire problem worsened dramatically over the past decade. The average annual acreage burned by wildland fires in the 2000s is more than double that burned in the 1990s, and appropriations for the federal government's wildland management activities have tripled, averaging approximately \$3 billion annually in recent years, up from about \$1 billion in fiscal year 1999. While Agriculture's Forest Service receives about 70 percent of the appropriations, four Interior agencies—the Bureau of Indian Affairs (BIA), the Bureau of Land Management (BLM), the U.S. Fish and Wildlife Service (FWS), and the National Park Service (NPS)—are key partners in the federal response to wildland fire. Therefore, most of our work and recommendations on wildland fire management address agencies in both departments.

In our March 2009 testimony we noted four primary areas we believed the agencies needed to address to better respond to the nation's wildland fire problems. While the agencies have continued to make improvements in these areas, as discussed below, work remains to be done in each. As a result, we continue to believe that wildland fire management is a major management challenge for Interior.

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- *The agencies have not yet developed a cohesive strategy that identifies options and associated funding to reduce potentially hazardous vegetation and address wildland fire problems.* For more than a decade, we have recommended that the agencies develop a cohesive wildland fire strategy that identifies potential long-term options for reducing fuels and responding to fires that occur, and the funding requirements associated with the various options.² In 2009 Congress echoed our call for a cohesive strategy in the Federal Land Assistance, Management, and Enhancement Act of 2009,³ which requires the agencies to produce a cohesive strategy consistent with our recommendations. In response, Interior and the Forest Service have prepared Phase I of the cohesive strategy, which, according to a senior agency official, provides a general description of the agencies' approach to the wildland fire problem and establishes a framework for collecting and analyzing the information needed to assess the wildland fire problem and make decisions about how to address it. The document has not yet been made final or formally submitted to Congress as required by the act, though the strategy was required to be submitted within 1 year of the act's 2009 passage. Once the document has been made final, the agencies expect to begin drafting Phase II of the strategy, which, according to this official, will involve the actual collection and analysis of data and assessment of different options.
 - *The agencies have not yet established clear goals and a strategy to help contain wildland fire costs.* Although the agencies have continued to take steps intended to help contain wildland fire costs, they have not yet clearly defined their cost-containment goals or developed a strategy for achieving those goals.⁴ Without such fundamental steps, we believe the agencies will have difficulty determining whether they are taking the most important steps first, as well as the extent to which the steps they are taking will help contain costs. While several agency documents discuss the agencies' cost containment goals and objectives at a high level, we believe these documents lack the clarity and specificity needed by officials in the field to help manage and contain wildland fire costs. We therefore continue to

²For more information on the agencies' efforts to address these recommendations, see GAO, *Wildland Fire Management: Federal Agencies Have Taken Important Steps Forward, but Additional, Strategic Action Is Needed to Capitalize on Those Steps*, [GAO-09-877](#) (Washington, D.C.: Sept. 9, 2009).

³Pub. L. No. 111-88, § 503, 123 Stat. 2971 (2009).

⁴GAO, *Wildland Fire Management: Lack of Clear Goals or a Strategy Hinders Federal Agencies' Efforts to Contain the Costs of Fighting Fires*, [GAO-07-655](#) (Washington, D.C.: June 1, 2007).

believe that the agencies will be challenged in managing their cost-containment efforts and improving their ability to contain wildland fire costs.

- *The agencies have continued to improve their processes for allocating fuel reduction funds and selecting fuel reduction projects, but further action is needed.* Fuel reduction projects—using prescribed fire, mechanical thinning, herbicides, grazing, or combinations of these methods—are intended to remove or modify wildland fuel to reduce the potential for severe wildland fires, lessen the damage caused by fires, limit the spread of flammable invasive species, and restore and maintain healthy ecosystems. In 2007 we identified several shortcomings in the agencies’ processes for allocating fuel reduction funds and selecting fuel reduction projects.⁵ While the agencies have continued to take steps to improve these processes, we believe they will continue to face challenges in more effectively using their limited fuel reduction dollars without the improved processes we have previously recommended.
- *The agencies have not yet taken needed steps to improve the use of an interagency budgeting and planning tool.* Since 2008 we have been concerned about Interior’s and the Forest Service’s development of a planning tool known as fire program analysis (FPA).⁶ FPA is designed to allow the agencies to analyze potential combinations of firefighting assets, and potential strategies for reducing fuels and fighting fires, to identify the most cost-effective among them. By identifying cost-effective combinations of assets and strategies within the agencies, FPA was also designed to help the agencies develop their wildland fire budget requests and allocate resources across the country. However, FPA’s development continues to be characterized by delays and revisions, and the agencies are several years behind their initially projected timeline for using it to help develop their budget requests. Although the agencies continue to take steps to improve FPA as we recommended, it is not clear how effective these steps will be in correcting the problems we have identified and therefore we believe that the agencies will continue to face challenges in this area.

⁵GAO, *Wildland Fire Management: Better Information and a Systematic Process Could Improve Agencies’ Approach to Allocating Fuel Reduction Funds and Selecting Projects*, [GAO-07-1168](#) (Washington, D.C: Sept. 28, 2007).

⁶GAO, *Wildland Fire Management: Interagency Budget Tool Needs Further Development to Fully Meet Key Objectives*, [GAO-09-68](#) (Washington, D.C: Nov. 24, 2008).

Adapting to the Effects of Climate Change on Public Lands

As we stated in our March 2009 testimony, federal land and water resources are vulnerable to a wide range of effects from climate change, some of which are already occurring. According to experts, these effects include (1) physical effects, such as droughts, floods, glacial melting, and sea level rise; (2) biological effects, such as increases in insect and disease infestations, shifts in species distribution, and changes in the timing of natural events; and (3) economic and social effects, such as adverse impacts on tourism, infrastructure, fishing, and other resource uses. Furthermore, in August 2007, we reported that climate change impacts compete for the attention of decisionmakers with more immediate priorities.⁷ We found at that time that BLM, FWS, and NPS did not make climate change a priority, and that their strategic plans did not specifically address climate change. Our recent work related to flooding and erosion in Alaska provides an example of how the effects of a warmer climate have been clearly evident in Alaska. In June 2009, we reported that while the flooding and erosion threats to Alaska Native villages have not been completely assessed, since 2003, federal, state, and village officials have identified 31 villages that face imminent threats.⁸ We suggested that Congress consider the need for a federal lead to ensure that federal resources are being prioritized and allocated efficiently and effectively.

In October 2009, we found that several federal agencies, including Interior, had begun to consider measures that would strengthen the resilience of natural resources in the face of climate change.⁹ In September 2009, Interior issued an order designed to address the impacts of climate change on the nation's water, land, and other natural and cultural resources.¹⁰

⁷GAO, *Climate Change: Agencies Should Develop Guidance for Addressing the Effects on Federal Land and Water Resources*, [GAO-07-863](#) (Washington, D.C.: Aug. 7, 2007).

⁸GAO, *Alaska Native Villages: Limited Progress Has Been Made on Relocating Villages Threatened by Flooding and Erosion*, [GAO-09-551](#) (Washington, D.C.: June 3, 2009).

⁹GAO, *Climate Change Adaptation: Strategic Federal Planning Could Help Government Officials Make More Informed Decisions*, [GAO-10-113](#) (Washington, D.C.: Oct. 7, 2009).

¹⁰Secretarial Order No. 3289 (Sept. 14, 2009), as amended. The order, among other things, designated eight regional Climate Change Response Centers, now known as Climate Science Centers. Secretarial Order No. 3289, Amendment No. 1 (Feb. 22, 2010). According to Interior, these centers will synthesize existing climate change impact data and management strategies, help resource managers put them into action on the ground, and engage the public through education initiatives. Interior has also identified specific adaptation strategies and tools for natural resource managers. For example, Interior provided a number of adaptation-related policy options for land managers in reports produced for its Climate Change Task Force, a past effort that has since been expanded upon to reflect new priorities.

Among other things, the order requires each bureau and office to consider and analyze potential climate change impacts when undertaking long-range planning exercises, setting priorities for scientific research and investigations, developing multi-year management plans, and making major decisions regarding potential use of resources. While we believe that this is a step in the right direction, in a fiscally constrained environment the department will continue to face challenges in setting priorities and making resource allocation decisions to address the impacts of climate change.

Protecting and Securing Federal Lands

Our recent work has also identified a challenge for Interior in the area of protecting and securing federal lands from the effects of illegal activities. BLM, FWS, and NPS are responsible for managing federal lands, enforcing federal laws governing the lands and their resources, and ensuring visitor safety. Illegal activities occurring on these lands have raised concerns that the agencies are becoming less able to protect our natural and cultural resources and ensure public safety. In December 2010, we reported that although land management agencies consider varied information on the occurrence and effects of illegal activities on federal lands, the agencies do not systematically assess the risks posed by such activities when determining their needs for resources and where to distribute them.¹¹ Without systematic approaches to assess the risks they face, the agencies may have limited assurance that they are allocating scarce resources in a manner that effectively addresses the risk of illegal activities on our nation's federal lands. In order to help the agencies better manage law enforcement resources, we recommended that the agencies adopt a risk management approach to systematically assess and address threats and vulnerabilities presented by illegal activities on federal lands. Interior concurred with our recommendation, and we continue to track its implementation.

In addition, federal lands on the U.S. borders with Canada and Mexico are vulnerable to illegal cross-border activity. In November 2010, we reported that illegal cross-border activity remains a significant threat to federal

¹¹GAO, *Federal Lands: Adopting a Formal, Risk-Based Approach Could Help Land Management Agencies Better Manage Their Law Enforcement Resources*, [GAO-11-144](#) (Washington, D.C.: Dec. 17, 2010).

lands.¹² Furthermore, there has been little interagency coordination to share intelligence assessments of border security threats to federal lands and develop budget requests, strategies, and joint operations to address these threats. In October 2010, we also found that coordination challenges between land management agencies and Border Patrol caused land management and environmental laws to be implemented in such a way that, at times, delayed or restricted Border Patrol's access to and monitoring of federal lands along the Southwest border.¹³ To more easily balance public safety and access to federal borderlands and to help ensure that Interior, the Department of Homeland Security, and the Department of Agriculture coordinate efforts to provide an effective interagency law enforcement response on these lands, we made recommendations aimed at improving interagency coordination. Interior agreed with our recommendations, and we continue to track their implementation.

Strengthening the Accountability of Indian and Insular Area Programs

We have reported on management weaknesses in Indian and insular area programs for a number of years. BIA continues to face challenges in processing land in trust applications, and Interior's Office of Insular Affairs (OIA) continues to face challenges in providing assistance to seven of the insular areas—four U.S. territories and three sovereign island nations—with long-standing financial, program management, and economic challenges.

Challenges Continue for BIA's Processing of Land in Trust Applications

BIA is the primary federal agency charged with implementing federal Indian policy and administering the federal trust responsibility for about 2 million American Indians and Alaska Natives. BIA provides basic services to 565 federally recognized Indian tribes throughout the United States, including natural resources management on about 54 million acres of Indian trust lands. Trust status means that the federal government holds title to the land in trust for tribes or individual Indians; land taken in trust is no longer subject to state and local property taxes and zoning ordinances. In 1980 Interior established a regulatory process intended to

¹²GAO, *Border Security: Additional Actions Needed to Better Ensure a Coordinated Federal Response to Illegal Activity on Federal Lands*, [GAO-11-177](#) (Washington, D.C.: Nov. 18, 2010).

¹³GAO, *Southwest Border: More Timely Border Patrol Access and Training Could Improve Security Operations and Natural Resource Protection on Federal Lands*, [GAO-11-38](#) (Washington, D.C.: Oct. 19, 2010).

provide a uniform approach for taking land in trust.¹⁴ While some state and local governments support the federal government’s taking additional land in trust for tribes or individual Indians, others strongly oppose it because of concerns about the impacts on their tax base and jurisdictional control.

We reported in 2006 that while BIA generally followed its regulations for processing land in trust applications from tribes and individual Indians, it had no deadlines for making decisions on them.¹⁵ While BIA has generally responded to our recommendations to improve the processing of land in trust applications, this issue continues to be a challenge, in part, because of a February 24, 2009, Supreme Court decision.¹⁶ The court held that the Indian Reorganization Act only authorizes the Secretary of the Interior to take land into trust for a tribe or its members if that tribe was under federal jurisdiction when the law was enacted in 1934.¹⁷ The court did not define what constituted being under federal jurisdiction but did find that a tribe, which was not federally recognized until 1983, was not under federal jurisdiction in 1934. It is not clear how many tribes or pending land in trust applications will be affected by this decision, but the decision raises a question about the Secretary’s authority to take land in trust for the 50 tribes that have been newly recognized since 1960 and their members.¹⁸ The Secretary’s decisions to take land in trust for two of these tribes—the

¹⁴25 C.F.R. pt. 151.

¹⁵GAO, *Indian Issues: BIA’s Efforts to Impose Time Frames and Collect Better Data Should Improve the Processing of Land in Trust Applications*, [GAO-06-781](#) (Washington, D.C.: July 28, 2006).

¹⁶*Carcieri v. Salazar*, 555 U.S. ___, 129 S.Ct. 1058 (2009).

¹⁷Act of June 18, 1934 (Indian Reorganization Act), ch. 576, 48 Stat. 984-988 (1934), *codified as amended at* 25 U.S.C. §§ 461-479.

¹⁸For additional information on BIA’s administrative process for granting federal recognition and a list of newly recognized tribes see GAO, *Indian Issues: Improvements Needed in Tribal Recognition Process*, [GAO-02-49](#) (Washington, D.C.: Nov. 2, 2001). Also see enclosure II of GAO, *Indian Issues: BLM’s Program for Issuing Individual Allotments on Public Lands Is No Longer Viable*, [GAO-07-23R](#) (Washington, D.C.: Oct. 20, 2006) and appendix II of GAO, *Native American Graves Protection and Repatriation Act: After Almost 20 Years, Key Federal Agencies Still Have Not Fully Complied with the Act*, [GAO-10-768](#) (Washington, D.C.: July 28, 2010) for updated lists of new and restored tribes. The Shinnecock Indian Nation of New York, the newest federally recognized tribe, was recognized as of October 1, 2010. 75 Fed. Reg. 66124 (Oct. 27, 2010).

Match-e-be-nash-she-wish Band of Potawatomi Indians of Michigan and the Cowlitz Indian tribe of Washington—have been challenged in court.¹⁹

Improve Effectiveness and Accountability for Insular Area Programs

The Secretary of the Interior has varying responsibilities to the insular areas of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands (CNMI), and the U.S. Virgin Islands, all of which are U.S. territories, as well as to the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, which are sovereign nations linked with the United States through Compacts of Free Association. OIA, which carries out the department's responsibilities for insular affairs, provides financial and technical assistance to the insular areas in developing more efficient and effective governments and it helps manage relations between the federal government and the insular area governments by promoting appropriate federal policies. For example, OIA is responsible for helping to implement federal policies related to CNMI immigration and minimum wage increases in American Samoa and the CNMI. The insular area governments have had long-standing financial and program management deficiencies, in addition to facing economic challenges. Our recent work related to the insular areas has focused on concerns relative to OIA's oversight of grants to insular areas, application of U.S. immigration law to the CNMI, and minimum wage increases in American Samoa and the CNMI.

In March 2010, we reported that opportunities exist for OIA to improve its grant oversight and reduce the potential for mismanagement.²⁰ OIA provided approximately \$400 million annually to financial assistance to insular area governments—roughly \$70 million of which is awarded annually as grants to insular areas for capital improvement projects, operations and maintenance improvement projects, technical assistance, and other purposes, to increase the self-sufficiency of the insular areas. We estimated that 39 percent of the 1,771 grant projects in OIA's grant management database at the time of our review demonstrated at least one internal control weakness that may increase the projects' susceptibility to

¹⁹Patchak v. Salazar, 646 F. Supp. 2d 72 (D.D.C. 2009), *vacated by* Patchak v. Salazar, No. 09-5324 (D.C. Cir. Jan. 21, 2011); Clark County v. Salazar, No. 11-00278 (D.C. Cir. filed Jan. 31, 2011).

²⁰GAO, *U.S. Insular Areas: Opportunities Exist to Improve Interior's Grant Oversight and Reduce the Potential for Mismanagement*, [GAO-10-347](#) (Washington, D.C.: Mar. 16, 2010).

mismanagement. While we noted that OIA had taken a number of steps to improve project implementation and management since 2005, we recommended that Interior improve OIA's ability to effectively manage grants by taking several actions, including clarifying its authorities to ensure insular areas use funds more efficiently, creating a workforce plan to reflect the staffing levels necessary to adopt a proactive monitoring and oversight approach, and developing criteria for project redirection request approvals. Interior agreed with our recommendations and has since developed the workforce plan.

Over the last few years we have also issued a number of reports on the application of U.S. immigration law to the CNMI.²¹ U.S. law established federal control of CNMI immigration beginning in 2009, with provisions affecting employers' access to foreign workers, investors, and visitors during a transition period ending in 2014.²² Interior is specifically assigned several responsibilities in implementing the law. During the transition period, the U.S. Secretary of Homeland Security, in consultation with the U.S. Secretaries of the Interior, Labor, and State and the U.S. Attorney General, has the responsibility to establish, administer, and enforce a transition program to regulate immigration in the CNMI, and decisions regarding delays or extensions of the transition period also are in consultation with Interior and other agencies. Furthermore, the legislation requires Interior to provide technical assistance to the CNMI to promote

²¹GAO, *Commonwealth of the Northern Mariana Islands: Pending Legislation Would Apply U.S. Immigration Law to the CNMI with a Transition Period*, [GAO-08-466](#) (Washington, D.C.: Mar. 28, 2008); GAO, *Commonwealth of the Northern Mariana Islands: Managing Potential Economic Impact of Applying U.S. Immigration Law Requires Coordinated Federal Decisions and Additional Data*, [GAO-08-791](#) (Washington, D.C.: Aug. 4, 2008); GAO, *Commonwealth of the Northern Mariana Islands: Coordinated Federal Decisions and Additional Data Are Needed to Manage Potential Economic Impact of Applying U.S. Immigration Law*, [GAO-09-426T](#) (Washington, D.C.: May 19, 2009); GAO, *CNMI Immigration and Border Control Databases*, [GAO-10-345R](#) (Washington, D.C.: Feb. 16, 2010); and GAO, *Commonwealth of the Northern Mariana Islands: DHS Should Conclude Negotiations and Finalize Regulations to Implement Federal Immigration Law*, [GAO-10-553](#) (Washington, D.C.: May 7, 2010).

²²Consolidated Natural Resources Act of 2008, Pub. L. No. 110-229, Title VII, 122 Stat. 754, 853 (2008). The Secretary of Homeland Security elected to delay the transition period start date from June 1, 2009, to November 28, 2009, as permitted by the law. U.S. immigration law was applied to the CNMI November 28, 2009, as scheduled; however, implementation of the CNMI transitional worker program was delayed following a federal court injunction just before the transition period start date that required the Department of Homeland Security to allow more time for public comment on the proposed program regulations. As of January 2011, the department had not yet issued final regulations for the transitional worker program.

economic growth; to assist employers in recruiting, training, and hiring U.S. citizens and lawful permanent residents in the CNMI; and to develop CNMI job skills as needed.²³ To date, the U.S. Department of Homeland Security has not issued final regulations for foreign workers, nor has it made a permanent decision regarding access for visitors from Russia and China. It issued regulations for foreign investors in December 2010.²⁴ In August 2008, we recommended that because of the importance of key implementation decisions by different federal agencies, the Secretary of Homeland Security should lead other relevant federal agencies, including the Departments of the Interior, Labor, and State, in identifying the interagency process that will be used to collaborate with one another—and consult with the CNMI government, as required—to jointly implement the legislation.²⁵ Interior agreed with our findings, and we continue to track the law’s implementation.

In 2007 the United States enacted legislation that incrementally applies the federal minimum wage to American Samoa and the CNMI.²⁶ The legislation changed decades of federal law that had allowed both areas to apply minimum wage rates significantly lower than the minimum wage for the U.S. 50 states. Under current law, the minimum wage for American Samoa’s lowest paid workers will reach the federal minimum wage of \$7.25 in 2018; and in the CNMI this is set to occur in 2016. Public and

²³In providing the technical assistance, the federal government should consult with the CNMI government, local businesses, regional banks, and other CNMI economy experts.

²⁴75 Fed. Reg. 79264 (Dec. 20, 2010).

²⁵[GAO-08-791](#). Report on the factors that would affect the impact of the law’s implementation on the CNMI economy, in particular the CNMI’s (1) labor market, including foreign workers; (2) tourism sector; and (3) foreign investment.

²⁶U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Pub. L. No. 110–28, § 8103, 121 Stat. 188 (2007), as amended by Pub. L. No. 111-244, 124 Stat. 2618 (2010), *codified at* 29 U.S.C. § 206 note. Under the law, any future changes to the minimum wage enacted under U.S. law for the 50 states, District of Columbia, U.S. Virgin Islands, Guam, and Puerto Rico also will apply to American Samoa and the CNMI. For changes enacted before American Samoa and the CNMI would have reached the current U.S. minimum wage, the minimum wages in the two areas would continue to increase in \$0.50 increments until they reach the federal minimum wage, extending beyond the current time frames. After each area reaches the U.S. minimum wage, any additional increase in the U.S. minimum wage would apply to American Samoa and the CNMI on the same schedule as for the 50 U.S. states. In September 2010, the United States enacted a law delaying the scheduled minimum wage increases in both areas, providing for no increase in the CNMI in 2010, and no increase in American Samoa in 2010 or 2011. See Pub. L. No. 111-244, 124 Stat. 2618 (2010).

private sector officials and workers in both areas have expressed concern about the impact of the minimum wage increases on the local economies. Although the law does not assign Interior specific responsibilities, OIA is generally responsible for promoting and managing government relations in support of appropriate federal policies. In April 2010, we found that the first minimum wage increase had raised the wages of about three-quarters of private sector workers in American Samoa and about a third of private sector workers in the CNMI.²⁷ Employment in American Samoa and the CNMI has declined for multiple reasons. Studies funded by Interior have projected major additional contraction of both economies.²⁸ These economic realities pose a challenge to OIA as it tries to improve the standard of living for island residents and promote the economic development and self-sufficiency of the insular areas.

Improving Federal Land Acquisition and Exchanges

As the steward of more than 500 million acres, federal land sales, acquisitions, and exchanges are important land management tools for Interior. Interior has faced a number of management challenges in this area in the past and our recent work has identified management weaknesses in Interior's oversight of land exchanges. As a result, we believe that managing land acquisition and exchanges continues to be a major management challenge for Interior.

In our March 2009 testimony, we stated that the Federal Land Transaction Facilitation Act of 2000 (FLTFA) which, in part, was intended to facilitate land consolidation, has had limited success. We reported that the agencies face several challenges to completing future land acquisitions under the act. Most notably, the act requires that the agencies use most of the funds to purchase land in the state in which the funds were raised; this restriction has had the effect of making little revenue available outside of Nevada. In November 2009, we reported that since FLTFA was enacted in

²⁷GAO, *American Samoa and Commonwealth of the Northern Mariana Islands: Wages, Employment, Employer Actions, Earnings, and Worker Views Since Minimum Wage Increases Began*, [GAO-10-333](#) (Washington, D.C.: Apr. 8, 2010). Results regarding workers affected by the minimum wage increases are based on responses to our questionnaire of employers in each area with 50 or more employees.

²⁸Malcolm D. McPhee & Associates with Dick Conway and Lewis Wolman, *American Samoa's Economic Future and the Cannery Industry*, prepared for the American Samoa Department of Commerce under an OIA grant (February 2008); and Malcolm D. McPhee & Associates and Dick Conway, *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands*, prepared for the CNMI Office of the Governor under an OIA grant (October 2008).

2000 through August 2009, BLM had raised \$113.4 million in revenue under the act and that about 78 percent of this revenue came from land transactions in Nevada.²⁹ We also found that the four land management agencies (BLM, FWS, NPS, and the Department of Agriculture's Forest Service) had purchased few parcels with FLTFA revenue. As of November 2009, BLM reported spending a total of \$43.8 million to acquire 28 parcels, including \$24.6 million for 12 parcels using funds allocated through the interagency process.³⁰ While we suggested in our November 2009 report that if Congress reauthorized the act that it should consider including additional lands for sale and greater flexibility for acquisitions; the July 2010 reauthorization that extended the act for 1 year did not amend the FLTFA provisions governing lands available for sale and acquisition.³¹ The reauthorization occurred a few days after FLTFA expired. According to BLM officials, at the time FLTFA expired, the unobligated program funds were transferred to the Land and Water Conservation Fund and as of November 2010 had not been restored to the program.³² Officials said that BLM has little incentive to conduct further land sales under FLTFA because of the cost and amount of work involved in preparing the sales and, given the limited 1-year extension, the uncertainty that BLM and other agencies will be able to use any revenues generated to acquire lands.

Our recent work has also identified challenges for Interior in managing land exchanges. In June 2009, we reported on management weaknesses in BLM's oversight of land exchanges under the Federal Land Policy and

²⁹GAO, *Federal Land Management: Challenges to Implementing the Federal Land Transaction Facilitation Act*, [GAO-10-259T](#) (Washington, D.C.: Nov. 17, 2009).

³⁰In 2008 we reported that from August 2007—7 years after FLTFA was enacted—through January 2008, the four land management agencies had spent \$13.3 million of the \$95.7 million in revenue raised under FLTFA: \$10.1 million using the Secretaries' discretion to acquire nine parcels of land and \$3.2 million for administrative expenses to prepare land for FLTFA sales. See GAO, *Federal Land Management: Federal Land Transaction Facilitation Act Restrictions and Management Weaknesses Limit Future Sales and Acquisitions*, [GAO-08-196](#) (Washington, D.C.: Feb. 5, 2008).

³¹The Supplemental Appropriations Act for Fiscal Year 2010 extended FLTFA's authorization until July 25, 2011. Pub. L. No. 111-212, § 3007(a) (2010).

³²The act provides that upon termination of the Federal Land Disposal Account—the account containing the program's funds—any remaining balance in the account shall become available for appropriation under Section 3 of the Land and Water Conservation Fund Act.

Management Act of 1976 (FLPMA).³³ Among other things, we reported that BLM had issued new guidance on managing ledgers and continued to use ledgers to track land value imbalances over time in multiphase exchanges.³⁴ However, we found that BLM was not adhering to its own guidance for maintaining the ledgers and therefore could not be confident in how much is owed to the federal government. Specifically, BLM could not be assured that the \$2.6 million land value imbalance due to the United States, recorded in its ledgers as of June 30, 2008, was accurate. We recommended that Interior take several steps to better manage the land exchange program and protect federal funds. Although BLM has issued additional and clarifying guidance,³⁵ it has not yet developed a national land tenure strategy, tracked land exchange costs, or required or tracked specific training for staff working on land exchanges.

In addition, in December 2010, we issued a legal opinion concluding that BLM carried out certain land transactions in the state of Washington that were not authorized by FLPMA's land exchange provisions and were inconsistent with FLPMA's land sale provisions.³⁶ Specifically, we concluded that the multiphase assembled land exchange consisted of a series of transactions where an agent of BLM sold public lands and used the proceeds to purchase nonfederal lands for BLM. The proceeds of these sales were required to be deposited into appropriate funds in the U.S. Treasury without deduction for any charge or claim. Instead, after selling

³³GAO, *Federal Land Management: BLM and the Forest Service Have Improved Oversight of the Land Exchange Process, but Additional Actions Are Needed*, [GAO-09-611](#) (Washington, D.C.: June 12, 2009).

³⁴BLM regulations define "assembled land exchange" to mean the consolidation of multiple parcels of federal and/or nonfederal land for purposes of one or more exchange transactions over a period of time. 43 C.F.R. § 2200.0-5(f). We refer to assembled exchanges that involve more than one closing transaction as "multiphase exchanges."

³⁵Department of the Interior, Bureau of Land Management, Instruction Memorandum No. 2010-122, *Processing of Land Exchanges and Management of Value Imbalances in Land Exchanges* (May 14, 2010).

³⁶GAO, *Bureau of Land Management and General Services Administration—Selected Land Transactions*, [B-318274](#) (Washington, D.C.: Dec. 23, 2010). We also examined selected land transactions that BLM, working under an agreement with the General Services Administration, carried out in the state of California. We concluded that although two of the transactions were indeed exchanges consistent with the provisions of the California Desert Protection Act, numerous other transactions were not exchanges but instead were purchases and sales of public land or surplus federal real property. As in the transactions in the state of Washington, these actions violated the Miscellaneous Receipts Statute and improperly augmented BLM's land acquisition appropriations.

public lands, BLM used some of the proceeds to purchase lands. This violated the Miscellaneous Receipts Statute. Furthermore, by using these proceeds, BLM improperly augmented its land acquisition appropriations.

Reducing Interior’s Deferred Maintenance Backlog

As we testified in March 2009, Interior continues to face a challenge in adequately maintaining its facilities and infrastructure. The department owns, builds, purchases, and contracts services for assets such as visitor centers, schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs; however, repairs and maintenance on these facilities have not been adequately funded. The deterioration of these facilities can impair public health and safety, reduce employees’ morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment. In November 2010, the department estimated that the deferred maintenance backlog for fiscal year 2010 was between \$13.5 billion and \$19.9 billion (see table 1).³⁷

Table 1: Department of the Interior’s Estimate of Deferred Maintenance for Fiscal Year 2010

Dollars in billions		
Type of structures	Estimated range of deferred maintenance	
	Low estimate	High estimate
Roads, bridges, and trails	\$6.53	\$9.55
Irrigation, dams, and other water structures	1.95	2.93
Buildings (e.g., administration, education, housing, and historic buildings)	2.96	4.34
Other structures (e.g., recreation sites and fish hatcheries)	2.09	3.06
Total	\$13.52	\$19.87

Source: Department of the Interior data.

Note: Total may not add due to rounding.

³⁷Interior is not alone in facing daunting maintenance challenges. In fact, we identified the management of federal real property, including deferred maintenance issues, as a governmentwide high-risk area in 2003, 2005, 2007, and 2009. For our 2011 update of the high-risk areas, we amended the federal real property area and it no longer includes managing the condition of facilities. While federal agencies still face a challenge of reducing their deferred maintenance in light of the federal deficit and long-term fiscal challenges facing the nation, we no longer consider it a governmentwide high-risk area. See GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011).

Interior has made progress addressing our prior recommendations to improve information on the maintenance needs of NPS facilities and BIA schools and irrigation projects. The high end of the deferred maintenance has been relatively constant since 2007, when the estimate was \$19.8 billion. Furthermore, the deferred maintenance estimates for the irrigation, dams, and other water structures category have decreased for the past 2 consecutive years, 2009 and 2010. Interior was able to address some needed repairs and improve the condition of some facilities through funds it received under the American Recovery and Reinvestment Act of 2009.³⁸

Management of Federal Oil and Gas Resources

Interior's management of oil and gas resources has been a focus of a large body of our work and an area where we have found numerous weaknesses and challenges that need to be addressed. In response to our recommendations, Interior has taken steps to address material weaknesses and modify its practices for managing oil and gas resources, but as of December 2010, many recommendations remain unimplemented. We designated Interior's management of federal oil and gas resources as a governmentwide high risk issue in February 2011.³⁹ Interior faces ongoing challenges executing its responsibilities to manage oil and gas production from federal lands and waters in four broad areas: (1) oil and gas revenue collection, (2) management of human capital, (3) the recently undertaken reorganization of the bureaus dealing with oil and gas issues, and (4) balancing timely and efficient oil and gas development with environmental stewardship responsibilities.

Interior's oversight of oil and gas operations is critically important. The explosion onboard the Deepwater Horizon and oil spill in the Gulf of Mexico in April 2010 emphasized the importance of Interior's management of permitting and inspection processes to ensure operational and environmental safety. The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling reported in January 2011 that this disaster was the product of several individual missteps and oversights by BP, Halliburton, and Transocean, which government regulators lacked the authority, the necessary resources, or the technical expertise to prevent.

³⁸Pub. L. No. 111-5, 123 Stat. 115 (2009). Interior received nearly \$3 billion under the act. The funds are being spent on, among other things, facilities and roads improvements and construction, according to Interior's *Agency Financial Report Fiscal Year 2010*.

³⁹[GAO-11-278](#).

Concerns Over Revenue Collection

Federal oil and gas resources provide an important source of energy for the United States, create jobs in the oil and gas industry, and generate billions of dollars annually in revenues that are shared between federal, state, and tribal governments. Revenue generated from federal oil and gas production is one of the largest nontax sources of federal government funds, accounting for about \$9 billion in fiscal year 2009. In September 2008, we reported that in the deep water of the U.S. Gulf of Mexico, Interior collected lower levels of revenues for oil and gas production than all but 11 of 104 oil and gas resource owners whose revenue collection systems were evaluated in a comprehensive industry study—these resource owners included many other countries as well as some states.⁴⁰ We recommended that Interior undertake a comprehensive reassessment of its revenue collection policies and processes. Interior has commissioned such a study in response to our report, which it expects to complete in 2011. The results of the study may reveal the potential for greater revenues to the federal government. We also reported in March 2010 that Interior was not taking the steps needed to ensure that oil and gas produced from federal lands was accurately measured.⁴¹ For example, we found that neither BLM nor Interior’s Minerals Management Service (MMS) had consistently met their statutory requirements or agency goals for oil and gas production verification inspections. Without such verification, Interior cannot provide reasonable assurance that the public is collecting its share of revenue from oil and gas development on federal lands and waters. As a result of this work, we identified 19 recommendations for specific improvements to oversight of production verification activities, with which Interior generally agreed.

Additionally, we reported in October 2010 that Interior’s data likely underestimated the amount of natural gas produced on federal leases that is released directly to the atmosphere (vented) or is burned (flared).⁴² This vented and flared gas contributes to greenhouse gases and represents lost royalties. We recommended that Interior improve its data and address

⁴⁰GAO, *Oil and Gas Royalties: The Federal System for Collecting Oil and Gas Revenues Needs Comprehensive Reassessment*, [GAO-08-691](#) (Washington, D.C.: Sept. 3, 2008).

⁴¹GAO, *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).

⁴²GAO, *Federal Oil and Gas Leases: Opportunities Exist to Capture Vented and Flared Natural Gas, Which Would Increase Royalty Payments and Reduce Greenhouse Gases*, [GAO-11-34](#) (Washington, D.C.: Oct. 29, 2010).

limitations in its regulations and guidance to reduce this lost gas. Interior generally agreed and is taking initial steps to implement these recommendations. Furthermore, we reported in July 2009 on numerous problems with Interior's efforts to collect data on oil and gas produced on federal lands, including missing data, errors in company-reported data on oil and gas production, and sales data that did not reflect prevailing market prices for oil and gas.⁴³ As a result of Interior's lack of consistent and reliable data on the production and sale of oil and gas from federal lands, Interior could not provide reasonable assurance that it was assessing and collecting the appropriate amount of royalties on this production. We made a number of recommendations to Interior to improve controls on the accuracy and reliability of royalty data. Interior generally agreed with our recommendations and is working to implement many of them, but these efforts are not complete, and it is uncertain at this time if the efforts will fully address our concerns.

Human Capital Challenges Remain Pressing

We have reported that BLM and MMS have encountered persistent problems in hiring, training, and retaining sufficient staff to meet its oversight and management responsibilities for oil and gas operations on federal lands and waters. For example, in March 2010, we found that BLM and MMS experienced high turnover rates in key oil and gas inspection and engineering positions responsible for production verification activities.⁴⁴ As a result, Interior faces challenges meeting its responsibilities to oversee oil and gas development on federal leases, potentially placing both the environment and royalties at risk. We made a number of recommendations to address these issues. While Interior's reorganization of MMS includes plans to hire additional staff with expertise in oil and gas inspections and engineering, these plans have not been fully implemented and it remains unclear whether Interior will be fully successful in hiring, training, and retaining these staff. Moreover, the human capital issues we identified with BLM's management of onshore oil and gas continue, and these issues have not yet been addressed in Interior's reorganization plans.

⁴³GAO, *Mineral Revenues: MMS Could Do More to Improve the Accuracy of Key Data Used to Collect and Verify Oil and Gas Royalties*, [GAO-09-549](#) (Washington, D.C.: July 15, 2009).

⁴⁴[GAO-10-313](#).

Reorganization of Oil and Gas Functions Poses New Challenges

Historically, BLM managed onshore federal oil and gas activities while MMS managed offshore activities and collected royalties for all leases. In May 2010, the Secretary of the Interior announced plans to reorganize MMS—its bureau responsible for overseeing offshore oil and gas activities and collecting royalties—into three separate bureaus. The Secretary stated that dividing MMS’s responsibilities among three separate bureaus will help ensure that each of the three newly established bureaus have a distinct and independent mission. Interior recently began implementing this restructuring effort; transferring offshore oversight responsibilities to the newly created Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) and revenue collection to a new Office of Natural Resources Revenue. Interior plans to continue restructuring BOEMRE to establish two separate bureaus—the Bureau of Ocean and Energy Management, which will focus on leasing and permitting, and the Bureau of Safety and Environmental Enforcement, which will focus on inspection and enforcement functions. While this reorganization may eventually lead to more effective operations, we have reported that organizational transformations are not simple endeavors and require the concentrated efforts of both leaders and employees to realize intended synergies and accomplish new organizational goals.⁴⁵ One key practice that we have identified for effective organizational transformation is to balance continued delivery of services with transformational activities. We are concerned about Interior’s capacity to find the proper balance—particularly in today’s fiscally constrained environment—given its history of management problems and challenges in the human capital area. Specifically, we are concerned about Interior’s ability to undertake this reorganization while providing reasonable assurance that billions of dollars of revenues owed to the public are being properly assessed and collected and that oversight of oil and gas exploration and production on federal lands and waters maintains an appropriate balance between efficiency and timeliness on one hand, and protection of the environment and operational safety on the other.

⁴⁵GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

Challenges of Balancing Oil and Gas Development with Environmental Stewardship

We have reported that Interior has experienced several challenges with meeting its obligations to make federal oil and gas resources available for leasing and development while simultaneously meeting its responsibilities for managing public lands for other uses, including wildlife habitat, recreation, and wilderness, among other uses. In July 2010, in our examination of federal oil and gas lease sale decisions in the Mountain West,⁴⁶ we found that the extent to which BLM tracked and made available to the public information related to protests filed during the leasing process varied by state and was generally limited in scope. We also found that stakeholders—including environmental and hunting interests, and state and local governments protesting BLM lease offerings—wanted additional time to participate in the leasing process and more information from BLM about its leasing decisions. Moreover, we found that BLM had been unable to manage an increased workload associated with public protests and had missed deadlines for issuing leases. In May 2010, the Secretary of the Interior announced several agencywide leasing reforms that are to take place at BLM, some of which may address these concerns, such as providing additional public review and comment opportunity during the leasing process. In March 2010, we found that Interior faced challenges in ensuring consistent implementation of environmental requirements, both within and across BOEMRE’s regional offices, leaving it vulnerable with regard to litigation and allegations of scientific misconduct.⁴⁷ We recommended that Interior develop comprehensive environmental guidance materials for BOEMRE staff. Interior concurred with this recommendation and is currently developing such guidance. Finally, in September 2009, we reported that BLM’s use of categorical exclusions under Section 390 of the Energy Policy Act of 2005 was frequently out of compliance with the law and BLM’s internal guidance.⁴⁸ As a result, we recommended that BLM take steps to improve the implementation of Section 390 categorical exclusions through clarification of its guidance, standardizing decision documents, and increasing oversight.

⁴⁶GAO, *Onshore Oil and Gas: BLM’s Management of Public Protests to Its Lease Sales Needs Improvement*, [GAO-10-670](#) (Washington, D.C.: July 30, 2010).

⁴⁷GAO, *Offshore Oil and Gas Development: Additional Guidance Would Help Strengthen the Minerals Management Service’s Assessment of Environmental Impacts in the North Aleutian Basin*, [GAO-10-276](#) (Washington, D.C.: Mar. 8, 2010).

⁴⁸GAO, *Energy Policy Act of 2005: Greater Clarity Needed to Address Concerns with Categorical Exclusions for Oil and Gas Development under Section 390 of the Act*, [GAO-09-872](#) (Washington, D.C.: Sept. 16, 2009).

Generating Other Revenue Collections and Enhancing Financial Assurances and Bonds

For many years we have identified better management of revenue collection efforts as a major management challenge. As we stated in our March 2009 testimony, additional revenues could be generated by amending the General Mining Act of 1872 so that the federal government could collect federal royalties on minerals extracted from U.S. mineral rights. In addition, financial assurances and bonds from hardrock mining and oil and gas operations could be enhanced to help ensure the reclamation of federal land disturbed by these operations. Our recent work has found that while BLM requires, among other things, that oil and gas operators reclaim the land they disturb and post a bond to help ensure they do so, not all operators perform the required reclamation, and the minimum bond amounts required have not been increased in almost 50 years.

The General Mining Act of 1872 helped open the West by allowing individuals to obtain exclusive rights to mine billions of dollars worth of hardrock minerals from federal lands without having to pay a federal royalty. In July 2008, we reported that the 12 western states, including Alaska, assess multiple types of royalties on mining operations.⁴⁹ States may use similar names for the royalties they assess, but these can vary widely in their forms and rates. Unlike the federal government, these states charge royalties that allow them to share in the proceeds from hardrock minerals extracted from state-owned lands, as well as levy taxes that function like royalties, on private, state, and federal lands.

Under BLM regulations, hardrock mining operators who extract gold, silver, copper, and other mineral deposits from land belonging to the United States are required to provide financial assurances, before they begin exploration or mining, to guarantee that the costs to reclaim land disturbed by their operations are paid. When operators with insufficient financial assurances fail to reclaim BLM land disturbed by hardrock mining operations, BLM is left with public land that poses risks to the environment and public health and safety, and requires millions of federal dollars to reclaim. In March 2008, we found that the financial assurances required by BLM were not adequate to fully cover estimated reclamation costs.⁵⁰ According to BLM, mine operators had provided financial

⁴⁹GAO, *Hardrock Mining: Information on State Royalties and Trends in Mineral Imports and Exports*, [GAO-08-849R](#) (Washington, D.C.: July 21, 2008).

⁵⁰GAO, *Hardrock Mining: Information on Abandoned Mines and Value and Coverage of Financial Assurances on BLM Land*, [GAO-08-574T](#) (Washington, D.C.: Mar. 12, 2008).

assurances valued at approximately \$982 million to guarantee reclamation costs for 1,463 hardrock operations on BLM land. BLM also estimated that 52 mining operations had financial assurances that amounted to about \$28 million less than needed to fully cover estimated reclamation costs. We found, however, that because of a BLM miscalculation, the financial assurances for these 52 operations were in fact about \$61 million less than needed to fully cover estimated reclamation costs. In addition, we have also reported on the importance of financial assurances in the reclamation of mountaintop mining operations.⁵¹

Similarly for oil and gas development, we reported in January 2010 that while BLM requires oil and gas operators to reclaim the land they disturb and post a bond to help ensure they do so, not all operators perform reclamation.⁵² If the bond is not sufficient to cover well plugging and surface reclamation and there are no responsible or liable parties, the well is considered “orphaned,” and BLM uses federal dollars to fund reclamation. For fiscal years 1988 through 2009, BLM spent about \$3.8 million to reclaim 295 orphaned wells, and BLM has identified another 144 wells yet to be reclaimed. According to our analysis of BLM data, as of December 2008, oil and gas operators had provided 3,879 bonds, valued at \$162 million, to ensure compliance with lease terms and conditions for 88,357 wells. The minimum bond amount for individual leases was set in 1960, and minimum amounts for statewide or nationwide bonds was established in 1951; none of these bond amounts has been updated or adjusted for inflation. We also found that 12 western states generally required higher bond amounts than the minimum amounts established by BLM regulations for individual and statewide oil and gas leases.

Improving Information Security

With an information technology budget of nearly \$1 billion in fiscal year 2010, Interior relies on computerized information systems to carry out its financial and mission-related operations. Effective information security controls are required to ensure that financial and sensitive information is adequately protected from inadvertent or deliberate misuse, fraudulent use, and improper disclosure, modification, or destruction. Ineffective

⁵¹GAO, *Surface Coal Mining: Financial Assurances for, and Long-Term Oversight of, Mines with Valley Fills in Four Appalachian States*, GAO-10-206 (Washington, D.C.: Jan. 14, 2010).

⁵²GAO, *Oil and Gas Bonds: Bonding Requirements and BLM Expenditures to Reclaim Orphaned Wells*, GAO-10-245 (Washington, D.C.: Jan. 27, 2010).

controls can also impair the accuracy, completeness, and timeliness of information used by management. The need for effective information security is further underscored by the evolving and growing cyber threats to federal systems and the dramatic increase in the number of security incidents reported by federal agencies.

Interior has been challenged to effectively protect its computer systems and networks. Our recent work,⁵³ as well as our analysis of agency and Office of Inspector General reports, show that the department has not consistently implemented effective controls to prevent, limit, and detect unauthorized access to its systems or manage the configuration of network devices to prevent unauthorized access and ensure system integrity. For example, we have reported on the need for federal agencies, including Interior, to improve implementation of information security controls such as those for configuring desktop computers and wireless communication devices.⁵⁴ We recommended that Interior, among other things, complete implementation of the agency's baseline security configuration for desktop computers using Window XP or Vista operating systems, and ensure its components document deviations to the baseline configuration and deploy a National Institute of Standards and Technology (NIST)-validated tool to monitor compliance with the configuration. The department agreed with our recommendations and indicated that it has initiated actions to implement them.

Mr. Chairman, this concludes our prepared statement. We would be pleased to answer any questions that you or other Members of the Subcommittee may have at this time.

⁵³ [GAO-11-278](#).

⁵⁴ GAO, *Information Security: Agencies Need to Implement Federal Desktop Core Configuration Requirements*, [GAO-10-202](#) (Washington, D.C.: Mar. 12, 2010). The federal desktop core configuration initiative (now known as the United States Government Configuration Baseline) established a set of common security configurations for Windows XP and Vista operating systems used by federal agencies that is intended to provide a baseline level of security, reduce risk from security threats and vulnerabilities, improve system performance, and ensure public confidence in the confidentiality, integrity, and availability of government information. GAO, *Information Security: Federal Agencies Have Taken Steps to Secure Wireless Networks, but Further Actions Can Mitigate Risk*, [GAO-11-43](#) (Washington, D.C.: Nov. 30, 2010).

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