



Report to the Chairman, Committee on
Natural Resources, House of
Representatives

July 2015

BUREAU OF LAND MANAGEMENT

Improvements Needed in Internal Controls over Mining Law Administration Program Funds

GAO Highlights

Highlights of [GAO-15-562](#), a report to the Chairman, Committee on Natural Resources, House of Representatives

Why GAO Did This Study

BLM's mining law program is responsible for managing the exploration and development of minerals, such as gold, silver, and copper, on federal land. The program is funded through fees collected from holders of mining claims and sites, subject to limits in annual appropriations acts, and is appropriated funds from the Department of the Treasury to the extent that the actual fees collected fall short of such limits.

GAO was asked to review the funding and spending of the mining law program. This report discusses (1) the amounts appropriated and expended for the program and (2) the extent to which BLM designed and implemented internal controls to reasonably assure that designated funds are spent only on mining law program operations. To address these objectives, GAO (1) reviewed relevant BLM policies and procedures and financial data, (2) conducted tests on a statistical random sample of fiscal year 2013 nonpayroll expenditures, and (3) interviewed BLM officials and employees.

What GAO Recommends

GAO recommends that BLM (1) review and update its mining law program policies and procedures, as necessary; (2) establish procedures for communicating such changes; (3) develop and implement a related training program; and (4) regularly monitor compliance with its policies and procedures. Interior generally agreed with the findings, concurred with GAO's recommendations, and described actions taken or planned to address each recommendation.

View [GAO-15-562](#). For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

July 2015

BUREAU OF LAND MANAGEMENT

Improvements Needed in Internal Controls over Mining Law Administration Program Funds

What GAO Found

The Department of the Interior's (Interior) Bureau of Land Management's (BLM) Mining Law Administration Program (mining law program) was appropriated and expended almost \$40 million annually from fiscal years 2011 through 2013. Funds are to be used for mining law program activities such as administering mining claims and processing notices for mineral exploration. The mining law program's largest expenditures include personnel compensation and contractual services and supplies, which account for over 96 percent of its expenditures.

BLM has designed internal controls, including policies and procedures over mining law program funds, but some of them are inconsistent, outdated, and not effectively communicated. GAO's statistical tests of fiscal year 2013 nonpayroll mining law program expenditures showed that BLM did not effectively implement controls to reasonably assure that such mining law program transactions were properly recorded and supported.

Estimated Percentages of Control Deficiencies in Nonpayroll Expenditures of the Mining Law Administration Program (Mining Law Program) for Fiscal Year 2013



Source: GAO estimate of audit test results. | GAO-15-562

Note: All percentage estimates from the tests have margins of error at the 95 percent confidence level of plus or minus 9 percentage points or less.

In addition, in interviews conducted at selected BLM offices, GAO found that some employees were charging hours of work to the mining law program based on funding allocations or supervisor instructions rather than the actual work performed, as required by BLM policies. While these examples cannot be generalized to all BLM employees, they illustrate control deficiencies that increase the risk that BLM employees are not charging the program correctly.

GAO found that internal control implementation deficiencies were the result of design flaws in BLM's policies and procedures as well as the lack of training and monitoring to reinforce them. Because of these deficiencies, BLM does not have reasonable assurance that mining law program expenditures relate to or are reasonably allocated to the program. As a result, the information in BLM's financial records may be at risk of not reflecting the actual cost of the mining law program.

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Abbreviations

BLM	Bureau of Land Management
FBMS	Financial and Business Management System
Interior	Department of the Interior
MLR	Management of Land and Resources

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July 23, 2015

The Honorable Rob Bishop
Chairman
Committee on Natural Resources
House of Representatives

Dear Mr. Chairman:

The Department of the Interior's (Interior) Bureau of Land Management (BLM) is the nation's largest land management agency and has responsibility for managing 13 percent of the nation's surface land and about one-third of its mineral resources. BLM manages and conserves resources for multiple uses, including mineral resources development. Within BLM, the Mining Law Administration Program (mining law program) is responsible for managing the environmentally responsible exploration and development of locatable minerals on public land.¹ This program is funded through mining claim fees collected from holders of mining claims and sites.² From fiscal years 2011 through 2014, BLM has reported collecting from \$58 million to \$66 million in mining claim fees annually while annual appropriations ranged from \$37 million to \$40 million. Specifically, BLM reported that it collected about \$58.5 million in mining claim fees in fiscal year 2014, sufficient to fully offset the annual appropriation of approximately \$39.7 million for mining law program operations in that fiscal year.

In March 2001, we reported on improper personnel charges to BLM's mining law program that resulted in a potential overcharge of about

¹Locatable minerals include hardrock minerals, such as copper, lead, zinc, nickel, gold, and silver.

²Annual appropriations acts establish an amount of BLM's appropriation for Management of Land and Resources (MLR) to be used for mining law program operations. The appropriations acts require, however, that the mining claim fees that BLM collects be credited against the MLR appropriation until all MLR funds used for the mining law program are repaid. See, e.g., Department of the Interior, Environment, and Related Agencies Appropriations Act, 2014, Pub. L. No. 113-76, div. G, title I, 128 Stat. 5, 289-90 (2014). To the extent that fees are insufficient to fully offset the MLR appropriation, the MLR appropriation absorbs the difference and therefore would partially fund the mining law program.

\$1.2 million for the nine BLM state offices and administrative offices included in the review.³ We were asked to provide an update to the March 2001 report and to review the funding and spending related to mining law program operations.⁴ This report discusses (1) the funding amounts appropriated to and expended for BLM's mining law program during fiscal years 2011, 2012, and 2013 and (2) the extent to which BLM has designed and implemented internal controls to reasonably assure that designated funds are spent only on mining law program operations.⁵

To determine the amounts appropriated to and expended for the program, we reviewed pertinent appropriations laws, Office of Management and Budget reports, BLM financial reports, and BLM's calculation and explanation of the program's fiscal year 2013 appropriated amount after sequestration.⁶ We also obtained and summarized detailed expenditure data extracted from BLM's financial management system for fiscal years 2011 through 2013. To assess the reliability of the data, we reviewed documentation, discussed the data with knowledgeable officials, and performed data reliability checks. Based on the results of the procedures performed, we determined that these data were sufficiently reliable to be used for our purposes.

To assess the design of controls related to the use of the mining law program funds, we obtained, reviewed, and assessed relevant policies and procedures, using *Standards for Internal Control in the Federal Government* as criteria.⁷ We also reviewed selected transactions at

³GAO, *Bureau of Land Management: Improper Charges Made to Mining Law Administration Program*, [GAO-01-356](#) (Washington, D.C.: Mar. 8, 2001).

⁴This report was originally requested by former Chairman Doc Hastings, House Committee on Natural Resources.

⁵Data for fiscal year 2013 were the most recent available at the time of our review.

⁶Sequestration is the cancellation of budgetary resources provided by discretionary appropriations or direct spending laws. Under the authority granted by section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the Office of Management and Budget determined that the mining law program appropriation was to be included in the fiscal year 2013 base as discretionary spending that is subject to sequestration. See 2 U.S.C. § 901a; Office of Management and Budget, *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (Washington, D.C.: Mar. 1, 2013), and GAO, *March 1 Joint Committee Sequestration for Fiscal Year 2013*, B-324723 (Washington, D.C.: July 31, 2013).

⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

BLM's Arizona and Nevada state offices to determine how controls were implemented, and we reviewed relevant supporting documentation. We interviewed BLM officials to clarify policies and procedures for using mining law program funds. We also interviewed officials from 8 of the 12 BLM state offices to obtain an understanding of controls over employee time and attendance and how funds are allocated to the BLM state offices.

To test the implementation of controls over the use of mining law program funds, we conducted tests on a random probability sample of 100 nonpayroll transactions from the mining law program's fiscal year 2013 expenditures and projected the results of our probability sample tests. Our review of fiscal year 2013 expenditures showed that approximately 24 percent of the transactions were adjustments.⁸ Therefore, we also selected a nonprobability sample of 30 adjustment transactions to examine supporting documentation and determine the nature and appropriateness of the adjustments. We also interviewed a nonprobability sample of 43 employees from BLM's Arizona and Nevada state, district, and field offices to determine how time and attendance controls were operating at these offices.⁹

We conducted this performance audit from March 2014 to July 2015 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. Appendix I provides additional information on our scope and methodology.

Background

BLM, a bureau of the Department of the Interior, administers millions of acres of public land for a variety of uses, including mineral resources development. BLM's mining law program is responsible for managing the

⁸Adjustments to mining law program expenditures can be caused by reallocation of charge card purchases. These adjustments occur when BLM employees purchase goods or services for the benefit of a program other than the program to which their charge card accounts were assigned (i.e., the default program code to the charge card account).

⁹These two BLM state offices had the highest amounts of personnel compensation expenditures charged to the mining law program in fiscal year 2013.

environmentally responsible exploration and development of locatable minerals on public land under the General Mining Law of 1872¹⁰ and the Federal Land Policy and Management Act of 1976.¹¹ The General Mining Law allows individuals and corporations to prospect for mineral deposits on public lands and locate a claim on the deposits discovered. Since 1993, claimants have been required to pay an annual maintenance fee for each mining claim and site in lieu of performing assessment work as previously required under the General Mining Law.¹² Mining claimants locating new claims or sites must pay a onetime location fee, processing fee, and initial maintenance fee. Thereafter, the maintenance fee is paid annually. Currently, the annual per-claim maintenance fee is \$155, the per-claim location fee is \$37, and the processing fee is \$20. BLM has authority to use receipts from mining claim fees for mining law program operations, although the use of these fees cannot exceed the limits prescribed in BLM's annual Management of Land and Resources appropriation.

BLM headquarters in Washington, D.C., and its 12 state offices manage and oversee mining law program operations. BLM headquarters provides guidance and oversight for the program. Specifically, within headquarters, the Energy, Minerals, and Realty Management group, Division of Solid Minerals, is responsible for overseeing the program. Each state office is headed by a state director who reports to the Director of BLM at headquarters. The state offices manage BLM programs and land in the geographic areas that generally conform to the boundary of one or more states. The state offices are Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Wyoming, and Eastern States. The state offices also provide oversight and program guidance to the district and field offices. Each BLM state office, with the exception of Eastern States, has several district offices and many field offices. The

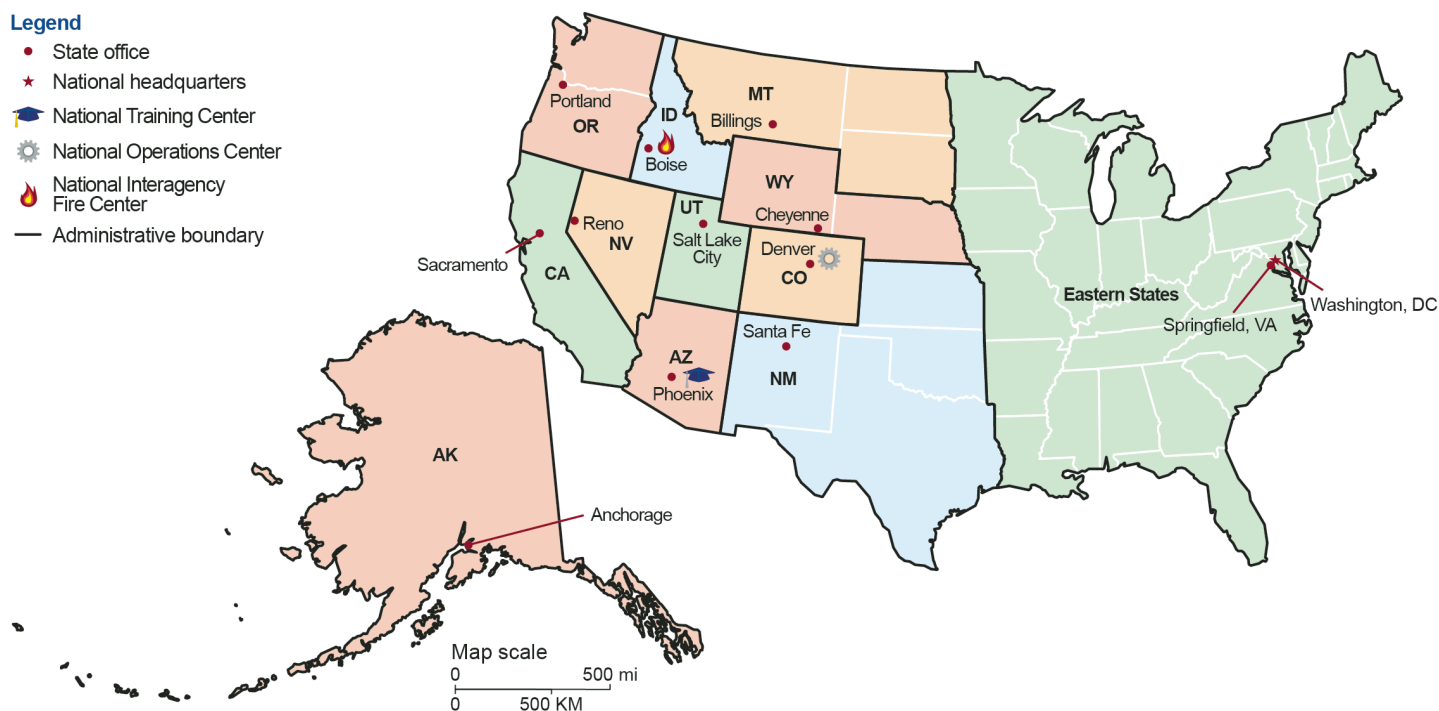
¹⁰30 U.S.C. §§ 22-54, 611-615.

¹¹43 U.S.C. §§ 1701-1787.

¹²The General Mining Law of 1872 required the claimant to perform a minimum amount of labor or make improvements worth \$100 each year in order to keep a possessory interest in the claim or site. Assessment work is work or labor performed in good faith that tends to develop the claim and directly aids the extraction of minerals. See 30 U.S.C. § 28-28e. As of August 10, 1993, this requirement was replaced by the current annual claim maintenance fee. See 30 U.S.C. § 28f. Mining claimants who qualify for the small miner's exemption (those who hold 10 or fewer mining claims) do not have to pay a maintenance fee but do have to perform annual assessment work. See 30 U.S.C. § 28f(d).

state offices also record and adjudicate mining claims. The district and field offices perform program fieldwork, such as reviewing and approving plans and notices of mining operations, conducting inspections and mineral examinations, and taking enforcement actions. In addition to the state offices, BLM also operates its National Training Center, National Operations Center, and National Interagency Fire Center to provide support to all BLM programs. See figure 1 for a map of BLM state offices and their administrative jurisdictions.

Figure 1: Bureau of Land Management (BLM) State Offices and Their Administrative Jurisdictions



Source: GAO analysis of BLM information. | GAO-15-562

The mining law program includes the following activities:

- recording and adjudicating mining claims,
- collecting location and annual maintenance fees,
- processing notices for exploration,
- processing and approving plans of operations for exploration and production,
- inspecting notices and plans of operations to ensure compliance with their terms and conditions,

-
- taking enforcement actions when terms and conditions have been violated,
 - identifying and eliminating cases of unauthorized occupancy of mining claims,
 - reviewing reclamation plans and financial guarantees, and
 - conducting mineral examinations to determine valid existing rights under the mining laws.

BLM is responsible under applicable appropriations laws to ensure that funds appropriated for a specified purpose—such as those funds that BLM’s annual appropriations provide for mining law program operations—are used for that purpose only and are not augmented with funds appropriated for different purposes.¹³ As such, BLM issues annual budget directions for all programs, including the mining law program, to outline the importance of proper budget coding and accounting.¹⁴ BLM records all mining law program costs of activities under one subactivity code.¹⁵ BLM’s policy recognizes the importance of accountability for program funds. Specifically, its *Fund Coding Handbook* states the following:

“[c]harging work tasks, employee salaries, procurement items, or equipment purchases to any subactivity other than the benefitting subactivity violates the terms of the Appropriation Act. Similarly, when procurements are charged to a given subactivity simply because ‘money is available there’ but have no direct relationship to that subactivity’s program accomplishment, [it] is a violation of the integrity of managers’ financial management responsibility and both the specific policy decisions and the direction of proper authorities in setting those requirements. Future year program needs and requirements are based in part on the record of past years’ costs and accomplishments. Therefore, records of actual costs and accomplishments must be accurate as possible.”¹⁶

¹³See 31 U.S.C. § 1301(a).

¹⁴BLM’s budget directions are included in its Planning Target Allocations and Annual Work Plans.

¹⁵Subactivity is the term used by BLM to denote operational programs. The mining law program subactivity code used to record costs is L19900000.

¹⁶Bureau of Land Management, *Fund Coding Handbook*, H-1684-1 (Mar. 4, 1985).

Importance of Internal Controls

To reasonably assure that designated funds are spent only on mining law program operations, BLM is responsible for designing and implementing an effective system of internal control. Internal control is an integral component of an organization's management that when properly designed, implemented, and operating effectively, provides reasonable assurance that the following objectives are being achieved: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, and (3) compliance with laws and regulations. Internal control represents an agency's plans, methods, and procedures used to meet its mission, goals, and objectives and serves as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse, and mismanagement.¹⁷

BLM's Mining Law Program Was Appropriated and Expended Almost \$40 Million Annually in Fiscal Years 2011 through 2013

According to our review of BLM's data, reports, and relevant appropriations laws, BLM was appropriated for its mining law program approximately \$37 million, \$40 million, and \$38 million for fiscal years 2011 through 2013, respectively. These appropriated funds are available until expended, meaning that BLM may also carry over any unused amounts to subsequent years. Table 1 summarizes the resources available to the program for fiscal years 2011 through 2013.

Table 1: Available Resources for the Bureau of Land Management's (BLM) Mining Law Administration Program, Fiscal Years 2011 through 2013

Dollars in thousands			
	Fiscal year		
	2011	2012	2013
Appropriation	\$36,696	\$39,696	\$37,677 ^a
Carryover from prior years ^b	2,160	1,914	2,631
Total	\$38,856	\$41,610	\$40,308

Source: GAO analysis of BLM data. | GAO-15-562

^aIn fiscal year 2013, the program was originally appropriated \$39.7 million, but the sequestration reduced funding by \$2 million, resulting in a \$37.7 million funding amount.

^bCarryover from prior years represents the funds from prior years that were not obligated or expended and may be used for future obligations. For example, for fiscal year 2012, BLM had total resources of \$41.6 million. It had obligations, expenditures, and adjustments to prior year obligations totaling \$39 million, leaving \$2.6 million to be carried over to fiscal year 2013.

¹⁷[GAO/AIMD-00-21.3.1.](#)

Interior's appropriation laws require that amounts appropriated to BLM for its mining law program be reduced (i.e., repaid) using mining claim fees that BLM collects. In recent years, BLM has collected funds through its claim fees that more than fully repay its appropriated amounts. For example, according to BLM's budget documents, it reported mining claim fee collections of approximately \$64 million each in fiscal years 2011 and 2012 and \$66 million in fiscal year 2013. At the end of the fiscal year, BLM deposits the amount of fees collected into the Department of the Treasury's General Fund. BLM recorded mining law program expenditures of about \$38 million annually for fiscal years 2011, 2012, and 2013. The program's largest expenditure was for personnel compensation and benefits, ranging from 76 to 80 percent of the program's total expenditures, over the 3 fiscal years. Its second largest expenditure was for contractual services and supplies, ranging from 17 to 20 percent of the program's total expenditures. This category includes many types of expenditures, such as travel, communications, utilities, and training. Overall, total reported expenditure trends appeared consistent from year to year. Table 2 summarizes BLM's reported expenditure amounts for its mining law program by major budget category.

Table 2: Reported Bureau of Land Management (BLM) Mining Law Administration Program Expenditures by Major Budget Category, Fiscal Years 2011 through 2013

Dollars in thousands

Major budget category	Fiscal year 2011	Percentage of total	Fiscal year 2012	Percentage of total	Fiscal year 2013	Percentage of total
Personnel compensation and benefits	\$28,926	77	\$30,631	80	\$29,208	76
Contractual services and supplies ^a	7,351	20	6,396	17	7,653	20
Acquisition of assets ^b	918	2	947	2	960	3
Grants and fixed charges ^c	416	1	132	0	394	1
Total	\$37,611	100	\$38,106	100	\$38,215	100

Source: GAO analysis of BLM data. | GAO-15-562

Note: Percentages may not add to 100 percent because of rounding.

^aThe contractual services and supplies category includes expenditures for travel, transportation, rent, communications, utilities, printing, training, supplies, and materials. Training-related expenditures, such as tuition, training conferences, and training contracts, were about \$107,000, \$154,000, and \$182,000 for fiscal years 2011, 2012, and 2013, respectively. Travel-related expenditures were about \$897,000, \$814,000, and \$701,000 for fiscal years 2011, 2012, and 2013, respectively.

^bThe acquisition of assets category includes expenditures for equipment, information technology and software, furniture, and building improvements.

^cThe grants and fixed charges category includes expenditures for cooperative agreements, each of which is a legal instrument reflecting BLM's relationship with a state, a local government, a higher education institution, a nonprofit organization, or other recipient. It also includes charges such as indemnities and claims.

BLM's Deficiencies in the Design and Implementation of Internal Controls over Mining Law Program Expenditures Weaken Accountability for Program Resources

BLM has designed internal controls, including policies and procedures, over mining law program funds. However, some of BLM's policies and procedures are outdated, inconsistent, and not effectively communicated. Our review of transactions also showed that BLM did not effectively implement controls to reasonably assure that mining law program expenditures were properly recorded and supported. Furthermore, our interviews with employees indicated that some employees were not recording hours worked consistent with BLM policy.

Selected BLM Policies and Procedures on Mining Law Program Expenditures Are Outdated, Inconsistent, and Not Effectively Communicated

BLM has a directives system that includes permanent and temporary policies and procedures. Permanent BLM policies and detailed instructions needed to carry out those policies are contained in BLM's manuals and handbooks and have continuing application to BLM programs. These include the *Fund Coding Handbook* and the *Charge Cards and Convenience Checks for Travel, Purchase, Fleet, and Uniforms* section of the BLM Manual, which provide policies related to charging the mining law program as well as other BLM programs. To update its policies, BLM issues instruction memorandums, which are intended to be temporary new policy or instructions that must reach BLM employees quickly.¹⁸ In addition to instruction memorandums, BLM may transmit supplemental information through information bulletins.¹⁹ BLM has policies and procedures that have been updated or revised through

¹⁸BLM's *Directives Manual* section states that temporary directives, such as instruction memorandums and information bulletins, should be used only to transmit interim instructions and information. The manual also states that directives must be evaluated regularly to ensure that they are current and up-to-date. Assistant directors are responsible for keeping their directives current and converting an instruction memorandum that contains long-term policy or procedural information promptly into a BLM manual section or handbook. At the end of the third fiscal year after it is issued, an instruction memorandum must be reviewed to determine whether it should be incorporated into a BLM manual section or handbook, allowed to expire, or renewed. While instruction memorandums provide additional guidance for charging expenditures to the mining program, BLM's *Fund Coding Handbook* is BLM's permanent policy, but it has not been updated since 1985 to include policy and procedure updates included in these instruction memorandums.

¹⁹Information bulletins are intended to call attention to existing policies and procedures rather than introduce new policies.

these temporary directives. They contain specific policies and procedures for the use and coding of mining law program expenditures and other financial and business processes. However, some of these policies and procedures are outdated, inconsistent, and not effectively communicated.

Two instruction memorandums that alert employees to the importance of appropriately charging expenditures to the mining law program include important coding information and provide guidance about charging operational expenditures to the correct account or subactivity. However, these instruction memorandums exclude key information and have not been updated.

- Instruction Memorandum 2001-144, *Obligations from the Mining Law Administration Program*, is intended to convey coding policies for charging expenditures to mining law program-related activities, but it does not include updated coding instructions for charges related to reviewing reclamation plans and financial guarantees or an updated expiration date. BLM amended regulations in 2001 to require all mining operations to provide bonds or other financial assurances before beginning exploration or mining operations on BLM land. This is an important mining law program activity because having adequate financial guarantees to pay reclamation costs is critical to ensuring that the land is reclaimed if the mining operators fail to do so.²⁰ The memorandum was reissued in March 2003, but was not updated to include coding instructions for charging expenditures related to this activity. In addition, Instruction Memorandum 2001-144 also contained inconsistencies in its expiration date information, which could be confusing to users of this guidance. Specifically, the memorandum was reissued in fiscal year 2003 but showed a fiscal year 2002 expiration date.
- Instruction Memorandum 2004-047, *Proper Coding within the Solid Minerals Subactivities*, was issued to provide additional guidance on proper coding but lists a priority program element code that is no

²⁰The process of reclamation involves returning mining lands to their natural or undisturbed condition as much as is reasonably practical.

longer used by BLM for the mining law program.²¹ Specifically, in fiscal year 2012, BLM changed the code that was used to capture the cost for mining law program work activity related to trespass and unauthorized occupancy cases. The memorandum shows an expiration date of fiscal year-end 2005.

In addition to the deficiencies identified in these mining law program instruction memorandums, policies and procedures used for the review and approval of charge card purchases are also inconsistent. BLM issues government charge cards to its employees for travel and purchases of supplies and services. Many of the mining law program expenditures were paid using charge cards as they are required for travel transactions and preferred for micro-purchases.²² In 2008, Interior issued its *Integrated Charge Card Program Policy Manual*, which states that within 30 calendar days of the charge card statement, the approving official must review, sign, and date the statements and supporting documentation.

To supplement Interior's policy, BLM issued Information Bulletin 2011-073, which states that (1) cardholders must reconcile their records of expenditures with monthly bank statements within 14 business days and (2) the approving officials must review and certify the cardholders' reconciled statements within 14 business days of receipt from the cardholders.²³ However, while this bulletin was created to provide guidance related to Interior's charge card policies, it does not make clear for the cardholder whether the 14 business days is counted from receipt of the charge card statement or the statement date. Also, this bulletin still references BLM Manual Section 1512, the previous guidance, which has 5-day requirements for both cardholder reconciliation and supervisory

²¹BLM uses program elements to gather cost and performance information and describe the work it performed. They are to be used on time sheets, requisitions, travel documents, and every financial transaction to gather costs by specific workload measure or work description. According to BLM, program element definitions can also be found in its Activity-Based Costing system.

²²Micro-purchases are purchases of up to \$3,000 for supplies and \$2,500 for services.

²³Bureau of Land Management, *Integrated Charge Card Program Management – Purchase Business Line*, Information Bulletin No. 2011-073 (June 23, 2011).

review.²⁴ This inconsistency can create further confusion. *Standards for Internal Control in the Federal Government* states that internal control and all transactions and other significant events need to be clearly documented, and that all documentation and records should be properly managed and maintained.

Further, issues in communicating BLM policies and procedures on properly coding mining law program funds also contributed to employees not following such procedures. For example, while instruction memorandums clarifying the proper coding of BLM activities can be accessed through BLM's intranet, BLM officials said that these memorandums, which are over 10 years old, may be difficult to locate because they are stored in reverse chronological order by issuance date, and BLM's online repository does not include an effective search function. During our interviews at the Arizona and Nevada state offices, we spoke with BLM employees who charged the mining law program, and some employees stated that they were not aware of program-specific policies for use of mining law program funds.

BLM officials told us that instruction memorandums on properly coding mining law program funds were not updated because BLM determined it was more advantageous to use directives included in its annual budget process to communicate updates on the coding of costs to subactivities and program elements rather than incorporate these interim policies into formal policy. However, such directives, which are mainly used by budget and managerial employees, may not be reviewed closely by specialists in the field who carry out BLM activities and charge the related codes. *Standards for Internal Control in the Federal Government* states that information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

²⁴BLM Manual Section 1512, *Charge Cards and Convenience Checks for Travel, Purchase, Fleet, and Uniforms*, which was issued in 2005, states that (1) the cardholder must give the signed and dated statement and supporting documentation to the approving official for review and approval within 5 business days of receiving it and (2) the approving official must review and certify reconciled statements within 5 business days of receipt of the charge card statement from the cardholder.

Without consistent and up-to-date policies and procedures on the use of mining law program funds that are readily accessible and communicated to all employees, BLM lacks adequate controls to reasonably assure that expenditures are properly recorded to the mining law program. BLM officials said that they plan to (1) issue a new instruction memorandum that incorporates the policies set forth in both instruction memorandums on the importance of appropriately charging the mining law program and properly coding labor and operational expenditures, (2) clarify information about the 14-day time frame for the charge cardholder to ensure timely reviews of the reconciliation, and (3) improve BLM's capabilities to enable employees to effectively search policies and guidance on its intranet. In addition, BLM officials told us that officials from the mining law program will work with BLM's Division of Budget to determine how to best update the *Fund Coding Handbook* to include the mining law program policies. BLM plans to issue the revised handbook by December 31, 2015.

BLM Did Not Effectively Implement Controls to Reasonably Assure That Mining Law Program Nonpayroll Expenditures Were Properly Recorded and Supported

BLM did not effectively implement key control activities to reasonably assure that mining law program expenditures were properly recorded and supported. Specifically, we tested a random probability sample of 100 nonpayroll expenditure transactions for fiscal year 2013 for evidence that each expenditure (1) was accurately recorded to the correct fund, subactivity, fiscal year, and budget category; (2) was related to or was reasonably allocated to the mining law program; (3) was authorized; and (4) underwent supervisory review and approval of supporting documentation. We found exceptions during each test.

We also found control deficiencies through testing of a nonprobability sample of 30 accounting adjustment transactions for fiscal year 2013, including (1) lack of timely supervisory review and therefore delayed recording of adjustments and (2) inadequate documentation to support the adjustments.

Figure 2 summarizes the estimated percentages of control deficiencies found in our nonpayroll expenditures testing.

Figure 2: Estimated Percentages of Control Deficiencies in Nonpayroll Expenditures of the Mining Law Administration Program (Mining Law Program) for Fiscal Year 2013



Source: GAO estimate of audit test results. | GAO-15-562

Note: The percentages in the figure represent point estimate percentages in the population based on our probability sample tests. All percentage estimates from the tests have margins of error at the 95 percent confidence level plus or minus 9 percentage points or less. All estimates and associated confidence intervals are rounded to the nearest percentage point.

Transactions Were Not Recorded Accurately or Lacked Sufficient Evidence for Determining Accurate Recording

On the basis of our testing of controls for the random probability sample of 100 nonpayroll mining law program expenditure transactions, an estimated 13 percent of the 15,829 fiscal year 2013 mining law program nonpayroll expenditure transactions were either not recorded accurately or did not have sufficient documentation for determining whether each expenditure was accurately recorded to the correct fund, subactivity, fiscal year, or budget category.²⁵ For these exceptions, we took into consideration whether (1) supporting documentation or BLM officials' explanations clearly showed another subactivity should have been charged or (2) BLM did not provide any documentation or the documentation provided was insufficient. Specifically, in the instances where evidence or documentation was provided by BLM, the information showed that the transaction was intended to be recorded to another subactivity outside of the mining law program. The majority of these were charge card transactions in which recording errors may have occurred because the mining law program code was assigned as the default code to the charge card account, and BLM did not reallocate or adjust the

²⁵The 95 percent confidence interval for this estimate is from 7 to 21 percent. This means that we are 95 percent confident that from 7 to 21 percent of transactions were either not recorded accurately or lacked evidence of accurate recording.

charge to the correct benefitting subactivity. The following examples illustrate the problems we found.

- BLM-provided electronic travel data showed that an employee's travel was conducted under the subactivity code for oil and gas management activities. However, travel costs of \$1,069 were erroneously recorded to the mining law program.
- An expenditure for \$348 under a contract for mail services was recorded to the mining law program. However, the contract order did not contain the mining law program as the chargeable subactivity.
- An expenditure for \$460 was recorded as office supplies and materials to the mining law program. BLM provided screenshots from its financial management system but was unable to provide any supporting documentation, such as invoices or receipts for the items purchased.

BLM's policy is that procurement items, including travel, and equipment purchases should be charged to the benefitting subactivity. In addition, for charge card transactions, the cardholder is required to reconcile charge card statements, annotate the correct accounting code on the charge card statement, and include supporting documentation. Supervisors are required to review and approve the charge card statements. BLM also requires that supporting documentation for transactions be retained.

We identified the lack of training to reinforce policies as a contributing factor in the implementation issues found in our control tests. BLM officials told us that they developed a general online course for managers in January 2013 to provide an overview of the BLM budget process. Among other objectives, the course was created to help managers plan and execute the BLM budget and provide guidance on spending operating funds correctly and using appropriate cost structures and funding codes. According to BLM officials, the training is not mandatory but is encouraged for managers and is available to all employees. However, this course does not address procedures and related controls specific to the coding and supervision of mining law program expenditure charges. Additionally, BLM training records showed that only 14 of 128 BLM employees who enrolled in the course had completed it as of March 10, 2015.

Transactions Lacked Evidence That Expenditures Were Related to or Reasonably Allocated to the Mining Law Program

An estimated 14 percent of fiscal year 2013 mining law program nonpayroll expenditure transactions either (1) lacked evidence to demonstrate that an expenditure was related to or reasonably allocated to the mining law program or (2) contained evidence suggesting that other subactivities should have been charged.²⁶ The following examples illustrate the charges to mining law program that were not related to or reasonably allocated to the program.

- An expenditure of \$6,525 for patrolling services on all BLM lands was charged to the mining law program. While reviewing this item, we noted that the entire \$25,000 contract was fully obligated to the mining law program although it included specific nonmining locations, such as campgrounds and recreational areas.²⁷
- An employee who did not perform work for the mining law program and is employed at a BLM office that does not conduct any mining law program activities charged the program for travel expenses in the amount of \$260. The purpose of travel was to attend nonmining training on producing educational exhibits related to environmental sustainability.
- An employee charged the mining law program \$539 for a vehicle rental during the employee's travel to conduct land surveys in support of the BLM Legacy Well Program. This program encompasses the plugging of oil and gas wells in Alaska that are currently not operational and is not related to the mining law program.
- Legal services of \$673 were charged to the mining law program. These services were for legal mediation of administrative grievances from BLM employees who did not perform work on the mining law program.

BLM's policy, in accordance with applicable appropriations laws, is to assure that mining law program funds are properly expended and that

²⁶The 95 percent confidence interval for this estimate is from 8 to 22 percent. This means that we are 95 percent confident that the percentage of transactions that lacked evidence to demonstrate that an expenditure was related to or reasonably allocated to the mining law program was from 8 to 22 percent.

²⁷According to BLM, the charges made to the mining law program were the result of assessing support costs to the program. However, BLM could not provide information that the charges were reasonably allocated to the program.

Transactions Lacked
Authorization

any costs charged to the program directly relate to or benefit the mining law program. Also, its Instruction Memorandum 2001-144 states that overhead support costs and shared service costs must be shared equitably among benefitting subactivities.²⁸ Therefore, costs of shared services that include the mining law program must be equitably allocated to the mining law program along with other subactivities. As previously mentioned, BLM did not offer training that addressed procedures and related controls specific to the coding and supervision of mining law program expenditure charges.

We estimate that 16 percent of fiscal year 2013 mining law program nonpayroll expenditure transactions lacked evidence that a supervisor or other approving official authorized the transactions in accordance with prescribed BLM policies.²⁹ The majority of the expenditure transactions lacking evidence of authorization were travel transactions recorded using GovTrip, BLM's travel system in fiscal year 2013. The following examples illustrate mining law program nonpayroll transactions that lacked proper authorization.

- For 11 travel transactions, authorization was not approved by a supervisor or approving official before travel commenced. These included 5 instances where travel was completed before the authorization was approved. The Federal Travel Regulation requires that an authorization be obtained prior to travel unless it is not practicable or possible to obtain such authorization.³⁰ However, these trips appeared to have been for nonemergency activities, such as training and site visits.
- A transaction for lodging costs totaling \$161 was incurred, but the costs were not included in the trip authorization to provide evidence of prior approval.

²⁸Bureau of Land Management, *Obligations from the Mining Law Administration Program*, Instruction Memorandum No. 2001-144, Change 2 (Mar. 28, 2003).

²⁹The 95 percent confidence interval for this estimate is from 9 to 25 percent. This means that we are 95 percent confident that from 9 to 25 percent of transactions lacked evidence of authorization.

³⁰41 C.F.R. § 301-2.1.

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- BLM did not provide supporting documentation for one of the selected travel transactions to demonstrate that the travel was authorized.

Standards for Internal Control in the Federal Government states that qualified and continued supervision should be provided to ensure that internal control objectives are achieved. In its May 2013 audit report, Interior's Office of Inspector General also reported similar findings with travel transactions recorded in GovTrip.³¹ In fiscal year 2014, Interior implemented a new electronic travel system and also issued new travel guidance, which BLM officials said they expected would improve its processes for the approval, processing, and payment of authorized travel expenditures. However, as noted in the next section, BLM did not have a monitoring process to evaluate employee and supervisory compliance with mining law program policies.

Transactions Lacked Evidence of Timely and Adequate Supervisory Review of Supporting Documentation

We found that an estimated 31 percent of fiscal year 2013 mining law program nonpayroll expenditure transactions lacked evidence that a supervisor or approving official timely and adequately reviewed required transaction support in accordance with BLM's policy.³² Examples follow:

- In four sampled transactions, supervisory review of charge card transactions' supporting documentation was inadequate. For example, supporting documentation lacked a description of goods purchased, and in one instance, the charge card statement was not signed by the cardholder or the supervisor, as required by BLM policy.
- We found six instances of charge card statements that were not approved in a timely manner. For example, one charge card statement was not approved until 3 months after the statement date.³³

³¹Department of the Interior, Office of Inspector General, *GovTrip Use and Monitoring by the U.S. Department of the Interior—Bureau of Land Management*, WR-IN-BLM-0013-2012 (Washington, D.C.: May 2013).

³²The 95 percent confidence interval for this estimate is from 22 to 40 percent. This means that we are 95 percent confident that from 22 to 40 percent of transactions lacked evidence of effective supervisory review of supporting documentation.

³³As previously noted, BLM policies do not clarify the dates by which charge card statements must be reconciled and approved. Therefore, we chose to use Interior's charge card manual as our criteria. Interior's timeliness standards for supervisory review require charge card statements to be reviewed by the cardholder and approved by the supervisor within 30 calendar days of the charge card statement date.

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- Our travel sample included eight travel vouchers that were not submitted for review promptly after the traveler's return. In two such cases, vouchers were submitted 57 and 76 business days, respectively, following trip completion. The Federal Travel Regulation, which BLM follows, requires that a travel voucher be submitted within 5 working days after completion of trip or period of travel.³⁴
 - For eight transactions, we could not verify whether there was adequate supervisory review of supporting documentation because BLM could not locate the supporting documentation, such as receipts, credit card statements, and travel vouchers, that should be maintained for these transactions, as required by its policies and procedures.

BLM's charge card policies require that cardholders (1) verify that all transactions are valid and correct by matching each transaction to receipts and invoices; (2) reconcile their statements and include a concise, detailed description for each transaction; (3) annotate the applicable accounting code if the code associated with the cardholder's account (default code) is not applicable for the transaction; and (4) sign and date the statement and include supporting documentation in the package. Policies also state that supervisors must review and certify reconciled statements. However, while BLM's policies include controls for documenting and reviewing purchase card transactions, these policies are not consistent on the required deadline for statement reconciliation by the cardholder. In addition, updates to charge card policies were transmitted to BLM headquarters, state office, and district office officials rather than to all BLM employees who are cardholders.³⁵ Since charge card purchases are paid automatically, it is critical that all cardholders and approving officials promptly reconcile and review charge card transactions so that erroneous charges can be quickly disputed with the vendor, and fraudulent, improper, or wasteful purchases can be quickly detected and acted upon. These reviews are also critical to ensuring that the correct program codes have been charged if the code assigned to the cardholder's account differs from the code benefiting from the expenditure.

³⁴41 C.F.R. § 301-52.7.

³⁵Bureau of Land Management, *Integrated Charge Card Program Management – Purchase Business Line*.

Standards for Internal Control in the Federal Government states that (1) internal control and all transactions and other significant events need to be clearly documented and the documentation should be readily available for examination and (2) all documentation and records should be properly managed and maintained. These standards also state that qualified and continued supervision should be provided to ensure that internal control objectives are achieved. Supervisors are a key control in approving and reviewing transactions to reasonably assure that the transactions are properly supported and that appropriate codes are used.

However, BLM did not have a monitoring process to evaluate employee and supervisory compliance with mining law program policies. While BLM has procedures in place to periodically review purchase card transactions and check for charge card reconciliations, these reviews are not intended to identify expenditures that do not relate to the mining law program. BLM officials told us that they performed a review of contracts charged to the mining law program in 2000, but they have not since performed any other similar reviews. Given the significant percentage of transactions that we estimated (1) lacked evidence of adequate supervisory review of supporting documentation, (2) were erroneously charged to the program, and (3) lacked supporting documentation, monitoring compliance with policies is especially important.

Selected Adjustments to Mining Law Program Nonpayroll Expenditure Transactions Were Not Supported or Promptly Recorded

Our review of the mining law program's fiscal year 2013 total nonpayroll expenditures showed that approximately 24 percent of these transactions were adjustments to the expenditure accounts. Given the large number of adjustments to expenditures coupled with the large number of transactions lacking adequate supervisory reviews, as previously discussed, we randomly selected a nonprobability sample of 30 accounting adjustments and examined supporting documentation to determine the nature and appropriateness of these adjustments. The adjustments consisted of reductions to the expenditures charged to the program. Many adjustments to mining law program expenditures are caused by the reallocation of charge card purchases, which occurs when a BLM employee makes a purchase for the benefit of a program other than the program to which his or her charge card account was assigned (i.e., the default program code to the charge card account). Per BLM policies, BLM employees are required to reconcile their charge card statements each month and annotate the correct accounting code for each item. Supervisors are required to review supporting documentation and approve the individual transactions and the statement reconciliations.

We found issues with 12 of the 30 adjustment transactions selected. These problems largely involved (1) failure to record the adjustment in a timely manner because of delays in supervisory review and (2) inadequate documentation to support the adjustment. Examples follow:

- A charge card statement with charges totaling over \$1,100 was not reconciled by the cardholder and reviewed by the approving official until 7 months after the statement date.
- BLM did not provide documentation to support an adjustment for \$2,257 recorded as supplies transferred out of mining law program expenditures. Therefore, it was unclear what the charge was for and what subactivity the expenditure benefited.
- Although one non-mining law program expenditure for freight costs was correctly adjusted, our review of the transaction data showed that it was charged to the mining law program twice and only adjusted once, resulting in the freight cost of about \$3,000 being paid by the mining law program.

Standards for Internal Control in the Federal Government states that internal control activities help ensure that management directives are carried out and that control activities, which include management and supervisory reviews, proper documentation, and recording of transactions, are effective and efficient in accomplishing the agency's objectives. Given the large number of accounting adjustments recorded, effective supervisory review of transactions is key to reasonably assuring proper accounting of mining law program funds. As discussed previously, the lack of monitoring was a contributing factor in the issues we found with the adjustments.

Interviews Indicate Hours Worked Were Not Recorded Consistent with BLM Policy

Our interviews of a nonprobability sample of 43 employees from two BLM state office jurisdictions—Arizona and Nevada—indicated that some employees were not accurately charging their hours to the mining law program.³⁶ These two BLM state offices had the highest amounts of personnel compensation charged to the mining law program in fiscal year

³⁶We interviewed employees at the Arizona and Nevada state offices, Phoenix and Carson City district offices, and field offices located at these district offices.

2013, totaling about \$9.3 million, or 32 percent of total personnel compensation charges. BLM's policy, in accordance with applicable appropriations law, states that transactions should be charged to the benefitting subactivity. BLM's Instruction Memorandum 2001-144 also emphasizes the importance of charging the mining law program only for mining law-related transactions. It assigns supervisors the responsibility to ensure that employee charges to the mining law program are the result of work that is directly related to program activities.³⁷ However, over half of the employees interviewed indicated that they were not aware of the BLM mining law program policy for recording work hours.

In particular, 18 of the 43 employees interviewed stated that they were charging time to the mining law program on their time cards based on work plans developed for budgetary purposes or supervisor instructions rather than work as it was actually performed.³⁸ This method for charging time was also confirmed at another state office we interviewed. Work plans are designed to aid the funding allocation process for personnel compensation and are based on factors such as (1) the funds appropriated and allocated to each BLM state office and (2) an estimate of the work needed to accomplish program objectives. Although these plans provide an amount budgeted for labor to each subactivity, the amounts are estimates of hours to be worked and are likely to be different from hours actually worked. Examples follow:

- Eleven direct-labor employees stated that they charged their hours to the mining law program based on the work plans provided or instructions from their supervisors and not in accordance with work actually performed.³⁹ Seven of these employees also stated that they were not familiar with the instruction memorandums that discuss mining law program charges and coding or did not know the correct codes for charging certain mining law activities.

³⁷Bureau of Land Management, *Obligations from the Mining Law Administration Program*, Change 2.

³⁸The work plans are developed to plan costs based on available budgeted amounts and provide guidance to employees on codes to charge.

³⁹Direct-labor employees for the mining law program are program specialists who perform work directly related to mining law activities, such as administering mining claims, collecting mining claim fees, and processing and approving notices for exploration.

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- Labor data for one BLM employee in which she self-identified that she was not working on the mining law program showed over 100 hours charged to the program in fiscal year 2013. The employee stated that she did not know the mining law program codes and did not remember charging them.
 - One BLM employee noted that managers have instructed employees to charge one of the codes listed on the work plan first until it is exhausted. This employee discussed relying on the plan to charge work hours even though program codes charged do not always align with the work actually performed.
 - A temporary BLM employee, who subsequently became a permanent employee and whose work directly benefitted the mining law program, stated that he did not charge time to the program in fiscal year 2013 because funds were not allocated for his position. The employee was instructed to charge hours to another subactivity. The employee stated that mining law program funds were allocated for his position in fiscal year 2015 after he brought this situation to the attention of management.

Although these examples cannot be generalized to all BLM employees, they illustrate control deficiencies that increase the risk that BLM employees are not charging their hours to the programs for which they actually performed work. These findings are similar to the findings in our March 2001 report.⁴⁰

Of the 18 employees who stated that they were charging the mining law program based on work plans developed for budgetary purposes or supervisor instructions rather than work as it was actually performed, 11 conducted work directly related to the mining law program, which included positions such as environmental coordinator, land law examiner, surface specialist, and cartographic technician. For employees who perform direct work for the mining law program, accurate recording of actual hours is especially important to BLM ensuring that its records are as accurate as possible and that it is able to use past year records as a basis for estimating future program needs. The other 7 employees performed support functions, such as office personnel, information technology, and finance, which provided services across multiple BLM programs. BLM

⁴⁰[GAO-01-356](#).

allocates the costs of employees who perform support functions across several subactivities using either of two alternative methods to assess support costs: (1) actual labor expenditures or (2) base funding.⁴¹ However, because the actual labor expenditures method relies on actual charges, it is also important for support employees to properly charge their time to the activities they supported.

As noted previously for the issues we identified in our tests of nonpayroll expenditures, our interviews with sampled employees also indicated that the lack of training to reinforce policies may have contributed to the errors in charging the mining law program. For example, over half of the 43 employees interviewed at the two largest BLM state offices said that they were not aware of the policies and procedures related to BLM's guidance for charging expenditures to the mining law program.⁴² In addition, the BLM Nevada state office conducted a budget review of the mining law program in 2012 and recommended training on budget use and coding to address issues related to mining law program charges identified through its budget review. However, this training was not conducted for the state office.⁴³

Personnel compensation expenditures represent the majority of the mining law program recorded expenditures—about 76 percent in fiscal year 2013. Therefore, improperly charging work to the mining law program or not recording work to the mining law program could result in

⁴¹BLM's *Budget Execution and Accounting Guidance* specifies BLM's policy for assessing support costs to each program, including the mining law program. This guidance describes indirect costs as the costs of performing work of a general nature that supports multiple program areas, such as administrative, information technology, and general office supplies. BLM's policy allows the BLM state offices to use the more accurate of either of two methods to determine a percentage allocation of support costs among subactivities: (1) actual labor expenditures incurred during the previous fiscal year or (2) "base funding" provided for in the budget year. To use base funding as the means for assessing support costs, the state office must combine the total office base funding level for each subactivity and determine what percentage of the base each program consists of for the entire office. That percentage is then multiplied by the total support cost to determine the amount to be assessed, or taxed, to each program.

⁴²The two BLM state offices with the highest amounts of expenditures charged to the mining law program are Arizona and Nevada, including the district and field offices within their jurisdictions.

⁴³BLM's Nevada state, district, and field offices accounted for over 20 percent of the total mining law program expenditures in fiscal year 2013.

program cost information that is inaccurate for making program management decisions and for accountability of public resources.

Conclusions

BLM has policies and procedures for the use and coding of mining law program charges and other financial and business processes that apply to all programs. Its policies recognize the importance of accurate cost records to reasonably assure compliance with applicable appropriations law and to enable informed decision making and program planning. However, our review showed that deficiencies in the design and implementation of BLM's internal controls resulted in costs erroneously charged to the mining law program or other programs. Until BLM updates its policies and procedures and properly implements them through effective communication, training, and monitoring, there is increased risk that the mining law program may be charged for future transactions that do not benefit the program and that its reported information will not accurately reflect the actual costs of the program or reasonably assure accountability of program funds.

Recommendations for Executive Action

To strengthen BLM's controls and reasonably assure accountability over mining law program expenditures, both payroll and nonpayroll, we recommend that the Secretary of the Interior direct the Director of the Bureau of Land Management to take the following four actions:

- Perform a comprehensive review of applicable temporary directives, including instruction memorandums, related to mining law program expenditures and update or incorporate them into permanent policies in BLM's *Fund Coding Handbook* or relevant manuals, as appropriate.
- Establish procedures for regular and timely communication to all BLM employees on policy and procedural changes affecting the mining law program's expenditure-related processes.
- Develop and implement a training program that provides all BLM employees with an understanding of the use of the mining law program funds to reasonably assure uniform application and effective execution of BLM policies and procedures. This training, to be successful, should be provided to all BLM employees who charge the program and communicate clear instructions on how employees should charge, document, and review transactions related to mining law program expenditures.

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- Develop and implement internal control activities for regularly monitoring compliance with expenditure-related policies and procedures in the mining law program. These activities should, at a minimum, (1) determine whether transactions were recorded to the correct subactivity and verified by an approving official and (2) assure that documentary evidence of review is maintained, as required in BLM's policies and procedures.

Agency Comments

We provided Interior with a draft of this report for review and comment. In written comments, reprinted in appendix II, Interior generally agreed with our findings, concurred with our recommendations, and described actions taken or planned to address each recommendation. Interior also provided technical comments, which we incorporated as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until seven days from the report date. At that time, we will send copies to the Secretary of the Interior, the Director of the Bureau of Land Management, appropriate congressional committees, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2623 or davisbh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix III.

Sincerely yours,



Beryl H. Davis
Director, Financial Management and Assurance

Appendix I: Objectives, Scope, and Methodology

Our objectives were to determine (1) the funding amounts appropriated to and expended for the Mining Law Administration Program (mining law program) during fiscal years 2011, 2012, and 2013 and (2) the extent to which the Bureau of Land Management (BLM) has designed and implemented internal controls to reasonably assure that designated funds are spent only on mining law program operations.

To determine the amounts appropriated to and expended for the mining law program, we reviewed pertinent appropriations laws, Office of Management and Budget reports, BLM financial reports, and BLM's calculation and explanation of the program's fiscal year 2013 appropriated amount after sequestration. We also obtained detailed expenditure data for fiscal years 2011 through 2013 from BLM's financial management system, the Financial and Business Management System (FBMS).¹ We analyzed expenditures by major budget object categories. To assess the reliability of the data extracted from FBMS, we reviewed available documentation and interviewed Department of the Interior and BLM officials on the procedures used to enter and verify information entered into FBMS. We also performed data reliability checks that included conducting electronic testing for obvious errors, such as duplicate entries and missing values. We found the FBMS data elements that we used to create our summaries to be sufficiently reliable for the purpose of reporting mining law program expenditures for fiscal years 2011, 2012, and 2013.

To assess the design of controls related to the use of mining law program funds, we obtained, reviewed, and assessed relevant policies and procedures, using *Standards for Internal Control in the Federal Government* as criteria.² We interviewed BLM officials to clarify policies and procedures for the use of mining law program funds. We also interviewed officials from 8 of the 12 BLM state offices to obtain an understanding of controls over employee time and attendance and how funds are allocated to the BLM state offices. The BLM state offices where we interviewed officials were Alaska, Arizona, California, Idaho, Nevada, Oregon, Utah, and Wyoming. We also reviewed documents from the BLM state offices to gather information about BLM's policies and procedures

¹Data for fiscal year 2013 were the most recent available at the time of our review.

²GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

and controls over mining law program spending. We conducted site visits at two BLM state offices—Arizona and Nevada—to interview officials and examine documents on BLM’s processes and controls related to mining law program spending. We selected transactions at BLM’s Arizona and Nevada state offices to obtain an understanding of how controls were implemented and reviewed relevant supporting documentation. These two BLM state offices had large amounts of total expenditures charged to the mining law program in fiscal year 2013. The BLM Nevada state office, including its district and field offices, had \$8.2 million, or 22 percent, of the total mining law program expenditures in fiscal year 2013. The BLM Arizona state office, including its district and field offices, had about \$3.6 million, or 9 percent, of the total mining law program expenditures in fiscal year 2013.

To test the implementation of controls over the use of mining law program funds, we conducted tests on a random probability sample of 100 nonpayroll transactions from the mining law program’s fiscal year 2013 expenditures. With this probability sample, each record in the population had a nonzero probability of being included, and that probability could be computed for any record. To select the expenditures for review, we used BLM’s detailed listing of fiscal year 2013 mining law program expenditures as discussed for our first objective. The total nonpayroll expenditures population from which we sampled contained 15,829 records totaling \$11.6 million in credits (expenditures) and 5,133 records totaling \$2.6 million in debits (adjustments). Since the adjustments constituted about 24 percent of the records, we also selected a nonprobability random sample of 30 adjustment transactions to examine documentation and determine the nature and appropriateness of the adjustments. To assess the reliability of the information, we reviewed available documentation and interviewed knowledgeable Department of the Interior and BLM officials about the data. We also conducted electronic testing, for example, looking for duplicate entries and missing values. We found that the data elements we used were sufficiently reliable for selecting samples of mining law program nonpayroll expenditures for review.

Because we followed a probability procedure based on random selections, our sample of 100 nonpayroll expenditures is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample’s results as a 95 percent confidence interval (e.g., plus or minus 9 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples

we could have drawn. Confidence intervals are provided along with each sample estimate in the report. We used a tolerable error rate of 5 percent to test internal controls. If the lower bound of the 95 percent confidence interval was greater than 5 percent, then we considered the control to not be implemented effectively. The results from our sample apply to the universe of nonpayroll mining law program expenditures recorded from October 1, 2012, to September 30, 2013.

With regard to implementation of controls over labor charges, we selected for interview a nonprobability sample of employees from the two BLM state offices with the highest amounts of personnel compensation charged to the mining law program in fiscal year 2013. These two BLM state offices—Arizona and Nevada, including district offices and field offices within their jurisdictions—had personnel compensation costs totaling about \$9.3 million, or 32 percent, of the total personnel compensation costs in fiscal year 2013. We interviewed employees from the following BLM offices: Arizona and Nevada state offices; Phoenix and Carson City district offices; and Hassayampa, Lower Sonoran, Sierra Front, and Stillwater field offices. We obtained BLM data on hours charged to the mining law program for fiscal years 2011, 2012, and 2013. We performed analyses of the labor data, including comparing hours from year to year and by state office. We used the fiscal year 2013 data to select employees to interview from the selected offices. We selected the employees based on several factors, including (1) large total number of hours charged to the program, (2) high average hours charged per pay period, (3) different grade levels, (4) varying job titles, and (5) varying suboffices. We conducted face-to-face interviews with 43 BLM employees to determine how time and attendance controls were operating at these state offices using a standard set of questions that were developed based on GAO's internal control guide, *Maintaining Effective Control over Employee Time and Attendance Reporting*.³

We conducted this performance audit from March 2014 to July 2015 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

³GAO, *Internal Control: Maintaining Effective Control over Employee Time and Attendance Reporting*, [GAO-03-352G](#) (Washington, D.C.: January 2003).

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

JUL -2 2015

Ms. Beryl H. Davis
Director
Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Davis:

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled, *BUREAU OF LAND MANAGEMENT: Improvements needed in Internal Controls over Mining Law Administration Program Funds* (GAO-15-562). The Department of the Interior appreciates the GAO's efforts to review the Bureau of Land Management's (BLM's) Mining Law Administration Program (MLAP) budget allocation, expenditures, and business processes.

The MLAP program is essential in preventing unnecessary or undue degradation to public lands while maintaining the BLM's mission of multiple use and sustained yield. The BLM agrees that there are additional opportunities for improvement in implementing internal controls over the MLAP expenditures and that related policies should be updated, widely distributed, and reinforced through training opportunities. For example, the BLM recently completed a comprehensive review and update of the Fund Coding Handbook, which is currently being reviewed by various financial and budget teams for completeness prior to final publication. The Handbook contains appropriate expenditure procedures for all BLM programs, including the MLAP. The BLM will also continue to regularly publish annual Planning Target Allocation Directives and Annual Workplan Directives, which include procedures for expending funds for all BLM programs, including the MLAP. Additional training opportunities, as recommended below, will further serve to communicate updated policy regarding Mining Law expenditures.

The GAO issued four recommendations in response to its overall findings. We generally agree with the findings and concur with the recommendations. Below is a summary of the actions taken or planned by the BLM to implement those recommendations.

Recommendation 1: Perform a comprehensive review of applicable temporary directives, including Instruction Memorandums, related to the Mining Law program expenditures and update or incorporate them into permanent policies in BLM's Fund Coding Handbook or relevant manuals, as appropriate.

The BLM concurs with this recommendation. The BLM has reviewed existing relevant policy related to Mining Law expenditures and will be developing updated policy. The updated policy will be issued as an Instruction Memorandum. The BLM will also assess the appropriateness of

including this policy within the Fund Coding Handbook, which contains funding processes for all BLM programs, or whether to issue a separate manual or handbook.

Recommendation 2: Establish procedures for regular and timely communication to all BLM employees on policy and procedural changes affecting the Mining Law program expenditure related processes.

The BLM concurs with this recommendation. Dissemination of the proposed Instruction Memorandum in Recommendation 1 through the BLM's Directive System's normal communication procedure is the most effective means to ensure all employees receive updated instructions. The BLM will also continue to publish annual Planning Target Directives and Annual Workplan Directives regularly, which include procedures for expending funds for all BLM programs, including the Mining Law. Additional training opportunities, as recommended below, will further serve to communicate updated policy to BLM employees regarding Mining Law expenditures.

Recommendation 3: Develop and implement a training program that provides all BLM employees with an understanding of the use of the Mining Law program funds to reasonably assure uniform application and effective execution of BLM policies and procedures. This training, to be successful, should be provided to all BLM employees that charge the program and communicate clear instructions on how employees should charge, document, and review transactions related to Mining Law program expenditures.

The BLM concurs with this recommendation. The BLM will develop training on the MLAP expenditure policies or incorporate the training into existing BLM budget training materials. Further, the BLM will conduct online training for Mining Law Administration employees and managers to further communicate Mining Law Administration program expenditure policies.

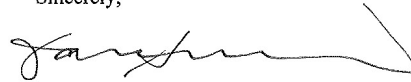
Recommendation 4: Develop and implement internal control activities for regularly monitoring compliance with expenditure-related policies and procedures in the Mining Law program. These activities should, at a minimum, (1) determine whether transactions were recorded to the correct subactivity and verified by an approving official, and (2) assure that documentary evidence of review is maintained as required in BLM's policies and procedures.

The BLM concurs with this recommendation. The Bureau will develop internal control activities and conduct regular monitoring. The Bureau will develop a Mining Law Administration expenditure specific review process within its Financial Business Management System (FBMS). These reviews would be conducted on a regular basis to ensure that the expenditures within the report are correctly attributed to the MLAP.

**Appendix II: Comments from the Department
of the Interior**

Enclosed are technical comments on the draft report. If you have any questions, please contact Michael D. Nedd, Assistant Director, Energy, Minerals and Realty Management at 202-208-4201, or LaVanna Stevenson, BLM Audit Liaison Officer, at 202-912-7077.

Sincerely,



Janice M. Schneider
Assistant Secretary
Land and Minerals Management

Enclosure

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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