

TESTIMONY OF MARY L. KENDALL
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FOR THE DEPARTMENT OF THE INTERIOR
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UNITED STATES HOUSE OF REPRESENTATIVES
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Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify today about a recent Office of Inspector General (OIG) report that address a number of issues concerning the Minerals Management Service (MMS) at the Department of the Interior (Department or DOI).

I will keep my remarks brief today, as I believe that the body of our work over the last several years speaks for itself. We have identified programmatic weaknesses and egregious misconduct, the latter of which received considerable coverage in the press and scrutiny by this committee, as well as others.

In the report released this week, we found more of the same, although the misconduct is arguably less egregious, and considerably less salacious, than that in our report issued in 2008 about misconduct in the Royalty in Kind program. For this reason, we issued our investigative report under our routine protocol, providing a copy to the Department and requesting a formal response in 90 days, at which point, we intended to provide copies of the report to cognizant committees, and post it to our website. Given the events of April 20 of this year, however, this report had become anything but routine.

While I neither condone nor excuse the behavior chronicled in this, our most recent report on MMS – gift-acceptance, fraternizing with industry, pornography and other inappropriate materials on government computers, and lax handling of inspection forms – I am more concerned about the environment in which these inspectors operate, and the ease with which they move between industry and government.

I am also concerned about the conduct of industry representatives, something that stems from our 2008 report; that they should think it permissible to fraternize and provide Federal Government employees with gifts after all the media coverage of this practice is somewhat hard to fathom, but may be informed by the environment, as well. While not included in our report, we discovered that the individuals involved in the fraternizing and gift exchange – both government and industry – have often known one another since childhood. Their relationships were formed well before they joined industry or government. MMS relies on the ability to hire employees with industry experience, and in my very brief, but intense, experience in this arena the past three-plus weeks, the MMS employees I have met are highly professional, extremely knowledgeable, and passionate about the job they do.

As you know, all the OIG reports related to MMS have made headlines, some more sensational than others. That, however, was never our goal. Rather, our goal has always been, and is today, to effect positive change. To this end, I must credit Secretary Salazar, Assistant Secretary Wilma Lewis and MMS Director Liz Birnbaum for the seriousness with which they took the findings contained in this report and for taking swift action in response to the misconduct and the challenges inherent to the industry/government dilemma.

As you also know, Secretary Salazar has announced that MMS will be split into two distinct bureaus under the Assistant Secretary for Land and Minerals Management and a third independent office for the collection of royalties under the Assistant Secretary for Policy, Management and Budget. As this reorganization progresses, I am hopeful that the Department will reconsider some of our recommendations for programmatic improvements. These must,

however, be bolstered with controls and strong oversight to ensure that these new entities do not simply absorb the same weaknesses that have been identified in MMS.

In the fall of 2008, Inspector General Earl Devaney testified before this committee, describing what was a fledgling office within the OIG, now called our Royalty Initiatives Group, (aptly known as RIG). Since that time, we have established an investigative unit dedicated to energy issues, and have expanded our oversight coverage beyond MMS to the energy and minerals programs at the Bureau of Land Management. Until recently, these two offices have been dedicated to royalties-related oversight and improvements. Since the events of April 20th, it has become increasingly clear that we must expand their scope to providing oversight of the operational, environmental, safety, inspection and enforcement aspects of energy production on federal lands and in the OCS. We have begun a multi-pronged effort to address these issue areas as quickly and thoroughly as possible. We are also conducting an investigation into the actions of MMS officials concerning the approval and inspection of the operations on *Deepwater Horizon*.

Mr. Chairman, this concludes my prepared testimony today. I would be happy to answer any questions that you or other members have.