



March 2017

OIL AND GAS MANAGEMENT

Stronger Leadership Commitment Needed at Interior to Improve Offshore Oversight and Internal Management

Accessible Version

GAO Highlights

Highlights of [GAO-17-293](#), a report to congressional addressees

Why GAO Did This Study

On April 20, 2010, the *Deepwater Horizon* drilling rig exploded in the Gulf of Mexico. The incident raised questions about Interior's oversight of offshore oil and gas activities. In response, in May 2010, Interior reorganized its offshore oil and gas management activities, and in October 2011, created BSEE to among other things, develop regulations, conduct inspections, and take enforcement actions. In February 2011, GAO added the management of federal oil and gas resources to its High-Risk List. In December 2015, BSEE issued a strategic plan outlining initiatives to improve offshore safety and environmental oversight as well as its internal management.

This report examines what efforts BSEE leadership has made in implementing key strategic initiatives to improve its (1) offshore safety and environmental oversight and (2) internal management. GAO reviewed laws, regulations, policies, and other documents related to the development of BSEE's strategic initiatives. GAO also interviewed BSEE officials.

What GAO Recommends

GAO is making four recommendations, including that higher-level leadership within Interior (1) establish a mechanism for BSEE management to obtain and incorporate input from bureau personnel that can affect the bureau's ability to achieve its objectives and (2) address leadership commitment deficiencies within BSEE, including by implementing internal management initiatives and ongoing strategic initiatives in a timely manner. Interior neither agreed nor disagreed with our recommendations.

View [GAO-17-293](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

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What GAO Found

The Department of the Interior's (Interior) Bureau of Safety and Environmental Enforcement (BSEE) leadership has started several key strategic initiatives to improve its offshore safety and environmental oversight, but its limited efforts to obtain and incorporate input from within the bureau have hindered its progress. For example, to supplement its mandatory annual regulatory compliance inspections, in 2012, BSEE leadership began developing a risk-based inspection initiative to identify high-risk production facilities and assess their safety systems and management controls. During pilot testing in 2016, several deficiencies—including the usefulness of its facility risk-assessment model and unclear inspection protocols—caused BSEE to halt the pilot. According to bureau officials, during the development of the initiative, BSEE headquarters did not effectively obtain and incorporate input from regional personnel with long-standing experience in previous risk-based inspection efforts, who could have identified deficiencies earlier in the process. GAO previously found that when implementing large-scale management initiatives a key practice is involving employees to obtain their ideas by incorporating their feedback into new policies and procedures. Instead, BSEE leadership appears to have excluded the input of regional personnel by, for example, not incorporating input beyond the risk-assessment tool when selecting the first pilot facility, even though it was prescribed to do so in the bureau's inspection planning methodology. This undercut the pilot effort, raising questions about whether the bureau's leadership has the commitment necessary to successfully implement its risk-based program. Without higher level leadership within Interior establishing a mechanism for BSEE to obtain and incorporate input from personnel within the bureau, BSEE's risk-based inspection initiative could face continued delays.

Similarly, since 2013, BSEE leadership has started several key strategic initiatives to improve its internal management, but none have been successfully implemented, in part, because of limited leadership commitment. For example, BSEE's leadership identified the importance of developing performance measures in its 2012-2015 strategic plan. BSEE began one of three attempts to develop performance measures in July 2014 by hiring a contractor to develop measures, but the bureau terminated this contract in January 2015 after determining a need to complete its internal reorganization before developing such measures. A second effort to develop performance measures started in December 2015, using the same consultant, and yielded 12 performance measures in March 2016, but BSEE did not implement them, in part, because data did not exist to use the measures. By the time BSEE received this consultant's report, it had already begun a third effort to internally develop performance measures; as of November 2016 had identified 17 draft performance measures, but BSEE leadership missed repeated deadlines to review them. BSEE officials told GAO that after leadership approval, the bureau plans to pilot these measures and develop others. BSEE leadership has not demonstrated continuing oversight and accountability for implementing internal management initiatives, as evidenced by its limited progress implementing key strategic initiatives. Without higher-level oversight within Interior addressing leadership commitment deficiencies within BSEE, the bureau is unlikely to succeed in implementing internal management initiatives.

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Abbreviations

Argonne	Argonne National Laboratory
BOEM	Bureau of Ocean Energy Management
BOEMRE	Bureau of Ocean Energy, Management, Regulation and Enforcement
BSEE	Bureau of Safety and Environmental Enforcement
ERM	Enterprise Risk Management
IG	Office of Inspector General
INC	incident of noncompliance
Interior	Department of the Interior
IPRA	Integrity and Professional Responsibility Advisor
IRU	Investigations and Review Unit
MMS	Minerals Management Service
NAPA	National Academy of Public Administration
NEPA	National Environmental Policy Act
OCS	outer continental shelf
OCSLA	Outer Continental Shelf Lands Act
SEMS	Safety and Environmental Management System

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March 21, 2017

The Honorable Jason Chaffetz
Chairman
Committee on Oversight and Government Reform
House of Representatives

The Honorable Rob Bishop
Chairman
The Honorable Raúl Grijalva
Ranking Member
Committee on Natural Resources
House of Representatives

The Honorable Blake Farenthold
Chairman
Subcommittee on the Interior, Energy, and Environment
Committee on Oversight and Government Reform
House of Representatives

On April 20, 2010, the Deepwater Horizon drilling rig exploded in the Gulf of Mexico, resulting in 11 deaths, serious injuries, and the largest marine oil spill in the history of the United States. The Deepwater Horizon incident raised questions about the Department of the Interior's (Interior) oversight of offshore oil and gas activities in the Gulf of Mexico and led to investigations by Interior's Office of Inspector General (IG)¹ and Interior's Outer Continental Shelf (OCS) Safety Oversight Board.² In response to the Deepwater Horizon incident, Interior initiated a number of policy reforms intended to strengthen its oversight of offshore oil and gas production on the OCS. On May 19, 2010, Interior reorganized the

¹U.S. Department of the Interior, Office of Inspector General, *A New Horizon: Looking to the Future of the Bureau of Ocean Energy Management, Regulation and Enforcement* (Washington, D.C.: Dec. 7, 2010).

²The OCS refers to the submerged lands outside the territorial jurisdiction of all 50 states, but within U.S. jurisdiction and control. The portion of the North American continental edge that is federally designated as the OCS generally extends seaward 3 geographical miles off the coastline to at least 200 nautical miles. The OCS Safety Oversight Board was created by secretarial order to review and oversee Interior OCS operations to support reasoned and fact-based recommendations for potential improvement. See U.S. Department of the Interior Outer Continental Shelf Safety Oversight Board, *Report to Secretary of the Interior Ken Salazar* (Sept. 1, 2010).

Minerals Management Service (MMS)—the agency responsible for managing oil and gas activities in federal waters and collecting revenues from oil and gas development on all federal lands and waters—to improve the management, oversight, and accountability of activities on the OCS.³ As an interim step, Interior restructured MMS into the Bureau of Ocean Energy, Management, Regulation and Enforcement (BOEMRE), responsible for offshore oil and gas management and the Office of Natural Resources Revenue responsible for revenue collections. On October 1, 2011, Interior completed the reorganization of MMS by splitting BOEMRE into the Bureau of Ocean Energy Management (BOEM), which is responsible for leasing and resource management, and the Bureau of Safety and Environmental Enforcement (BSEE), which is responsible for reviewing drilling permits, inspecting offshore drilling rigs and production platforms, and developing regulations and standards for offshore drilling.

Over the past several years, we have issued a number of reports identifying Interior’s challenges in managing federal oil and gas resources. The balance of our work has shown that management of federal oil and gas resources was a high risk area and we added it to the High Risk List in 2011.⁴ We identified challenges in Interior’s management of oil and gas on leased federal lands and waters. We found that Interior (1) did not have reasonable assurance that it was collecting its share of revenue from oil and gas produced on federal lands and waters; (2) continued to experience problems hiring, training, and retaining sufficient staff to provide oversight and management of oil and gas operations on federal lands and waters; and (3) was undertaking a major challenging reorganization of its oversight of both its offshore oil and gas management and revenue collection functions.

³Secretarial Order No. 3299 (May 19, 2010).

⁴GAO, *High-Risk Series: An Update*, [GAO-11-278](#) (Washington, D.C.: February 2011). In 1990, we began a program to report on government operations that we identified as “high risk.” Since then, generally coinciding with the start of each new Congress, GAO has reported on the status of progress to address high-risk areas and to update the High Risk List. Overall, GAO’s high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public. Our experience with the high-risk series over the past 25 years has shown that the key elements needed to make progress in high-risk areas are top-level attention by the administration and agency leaders grounded in the five criteria for removal from the High Risk List, as well as any needed congressional action. The five criteria for removal are: (1) leadership commitment, (2) capacity, (3) action plan, (4) monitoring, and (5) demonstrated progress.

In February 2016, we reported that BSEE’s ongoing organizational restructuring—which it initiated in October 2013 to develop national programs—had not addressed long-standing deficiencies to its investigative, environmental compliance, and enforcement capabilities.⁵ To enhance its ability to effectively oversee offshore oil and gas development, we recommended that the Secretary of the Interior direct the Director of BSEE to take nine actions, including that BSEE complete policies outlining the responsibilities of its investigative, environmental compliance, and enforcement programs and update and develop procedures to guide them. Interior neither agreed nor disagreed with our recommendations. Simultaneous to our assessment of BSEE’s organizational restructuring, bureau leadership was developing its Fiscal Year 2016-2019 Strategic Plan, which identifies key initiatives to improve its safety and environmental oversight as well as its internal management. Some of these key strategic initiatives have been under way for several years.

In light of the concerns we identified during our review of BSEE’s organizational restructuring, we initiated this review under the authority of the Comptroller General of the United States.⁶ This report examines efforts BSEE leadership has made in implementing key strategic initiatives to improve its (1) safety and environmental oversight and (2) internal management.⁷

To identify progress BSEE leadership has made in implementing key strategic initiatives to improve its (1) safety and environmental oversight and (2) internal management, we reviewed BSEE strategic planning and budget justification documentation as well as interviewed BSEE leadership to identify key bureau strategic initiatives. We then reviewed

⁵GAO, *Oil and Gas Management: Interior’s Bureau of Safety and Environmental Enforcement Has Not Addressed Long-Standing Oversight Deficiencies*, [GAO-16-245](#) (Washington, D.C.: Feb. 10, 2016).

⁶Based on our February 2016 report regarding BSEE’s oversight capabilities as well as ongoing work in support of this report, in February 2017, we expanded the High Risk List to incorporate the restructuring of offshore oil and gas oversight. See GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Effort Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

⁷In August 2016, BSEE contracted with the National Academy of Public Administration (NAPA) for approximately \$450,000 to assess the bureau’s progress in institutionalizing the systems, policies and process since its 2011 establishment and determine where areas of critical need remain to be addressed to ensure a functioning and sustainable organization. NAPA is scheduled to deliver its final report to BSEE in March 2017.

BSEE's strategic initiatives and focused on those that corresponded to our objectives and were topics that we have not reviewed in the last 2 years.⁸ For each initiative, we collected and analyzed BSEE documentation of their purpose and history—including budget justifications, project plans, and contracts, among others—to determine their objectives, time frames, and status. We also interviewed BSEE officials at headquarters responsible for bureau and program leadership as well as officials in the regional and district offices responsible for implementing BSEE oversight activities. For each initiative, we analyzed any progress made and compared BSEE practices for implementing its initiatives to bureau criteria—such as strategic plans and initiative goals—as well as Standards for Internal Control in the Federal Government.⁹

We conducted this performance audit from March 2016 to March 2017 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.

Background

BSEE's mission is to promote safety, protect the environment, and conserve resources offshore through vigorous regulatory oversight and enforcement. BSEE's headquarters—located in Washington, D.C., and Sterling, Virginia—is responsible for setting national program policy to meet the bureau's mission. BSEE's three regional offices—the Gulf of Mexico regional office in New Orleans, Louisiana; the Pacific regional office in Camarillo, California; and the Alaska regional office in Anchorage, Alaska—are responsible for executing oversight of oil and

⁸Within the past 2 years, GAO issued reports on several topics that could be considered BSEE key strategic initiatives, including its organizational restructuring ([GAO-16-245](#)), decommissioning (GAO, *Offshore Oil and Gas Resources: Actions Needed to Better Protect Against Billions of Dollars in Federal Exposure to Decommissioning Liabilities*, [GAO-16-40](#) (Washington, D.C.: Dec. 18, 2015)), and human capital challenges (GAO, *Oil and Gas Oversight: Interior Has Taken Steps to Address Staff Hiring, Retention, and Training but Needs a More Evaluative and Collaborative Approach*, [GAO-16-742](#) (Washington, D.C.: Sept. 29, 2016)).

⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

gas activities, such as conducting inspections of all facilities on the OCS. The five district offices that the Gulf of Mexico regional office oversees are the Houma, Louisiana; Lake Jackson, Texas; Lafayette, Louisiana; Lake Charles, Louisiana; and New Orleans, Louisiana district offices.

The Outer Continental Shelf Lands Act of 1953, as amended, (OCSLA) requires Interior to inspect each offshore oil and gas facility at least once per year.¹⁰ OCSLA also authorizes Interior to conduct periodic unscheduled—unannounced—inspections of these facilities.¹¹ BSEE carries out these inspections on behalf of the Secretary throughout America's 1.7 billion acres of the OCS. BSEE's Office of Offshore Regulatory Programs is responsible for overseeing the bureau's national inspection program, which is carried out by the bureau's regional offices. During inspections, BSEE inspectors scrutinize all safety system components designed to prevent or ameliorate blowouts, fires, spillages, or other major accidents. Additionally, inspectors check for compliance with current plans, lease terms, and appropriate stipulations. During inspections, BSEE inspectors check for installation, operation, and maintenance of all appropriate safety and antipollution devices. They perform the inspections, in part, by using a checklist derived from regulated safety and environmental requirements. If an inspector identifies a regulatory violation at an offshore facility, BSEE issues a citation to the operator known as an incident of noncompliance (INC) in response to operator violations of safety or environmental standards. An INC may be issued in the form of (1) a warning, (2) an order to shut down a particular component of the facility (when it can be shut down without affecting the overall safety of the facility or operations), or (3) an order to shut down an entire drilling rig or production platform in cases when the violation could result in serious consequences to the environment or human health and safety, such as a fire or spill.¹² Operators generally

¹⁰43 U.S.C. § 1348(c)(1).

¹¹43 U.S.C. § 1348(c)(2).

¹²Interior's policy is to place operators with a history of poor performance on its increased oversight list, and inspect those operators more frequently until it determines that the operator's performance has improved. BSEE can also place an operator on a performance improvement plan due to serious incidents, poor performance data, criminal referral, civil penalties assessed, or uncorrected deficiencies resulting in a probationary status. A performance improvement plan may result in more inspections or more frequent inspections, which may result in an increase in INCs issued and civil penalties assessed. Operators may also be required to provide increased information, and have operator employees working during certain activities such as construction and simultaneous operations to facilitate communications.

have 20 days to correct the violation and notify Interior that the violation was corrected.¹³

BSEE is responsible for ensuring compliance with OCSLA and provisions of other federal laws, including the National Environmental Policy Act (NEPA).¹⁴ BSEE's Environmental Compliance Division establishes national strategic goals, programs, and procedures to increase the accuracy, effectiveness, and consistency of all bureau environmental compliance policies and initiatives. BSEE's Office of Environmental Compliance, located in the Gulf of Mexico regional office, is staffed by environmental engineers, scientists, and specialists who are responsible for BSEE's NEPA compliance program, as well as field and office environmental compliance verification.

We have previously reported on Interior's challenges with managing federal oil and gas resources. In September 2008 and July 2009,¹⁵ we found shortcomings in Interior's ability to ensure that royalty payment data were reasonable and complete. In addition, in March 2010,¹⁶ we found that Interior's policies and practices did not provide reasonable assurance that oil and gas produced from federal leases was being accurately measured and that Interior experienced challenges hiring, training, and retaining qualified staff to provide oversight and management of oil and gas operations on federal lands and waters. Further, 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. We were also concerned about Interior's ability to balance continued delivery of services with transformational activities in view of the department's history of management problems and challenges in the human capital area.

¹³30 C.F.R. § 250.1452.

¹⁴42 U.S.C. §§ 4321-4347. Under NEPA, federal agencies must assess the effects of major federal actions—those they propose to carry out or to permit—that significantly affect the environment.

¹⁵GAO, *Mineral Revenues: Data Management Problems and Reliance on Self-Reported Data for Compliance Efforts Put MMS Royalty Collections at Risk*, [GAO-08-893R](#) (Washington, D.C.: Sept. 12, 2008) and *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).

¹⁶GAO, *Oil and Gas Management: Interior's Oil and Gas Production Verification Efforts Do Not Provide Reasonable Assurance of Accurate Measurement Production Volumes*, [GAO-10-313](#) (Washington, D.C.: Mar. 15, 2010).

In December 2015, BSEE issued its Fiscal Year 2016–2019 Strategic Plan. BSEE’s strategic plan identifies strategic goals to improve its operations—including safety and environmental oversight—as well as its internal management. BSEE’s key strategic initiatives to improve safety and environmental oversight include developing a risk-based inspections program and promoting environmental stewardship. BSEE’s key strategic initiatives to improve its internal management include enhancing decision making as well as communication and transparency.

BSEE Leadership Has Started Several Initiatives to Improve the Bureau’s Safety and Environmental Oversight Capabilities but Its Actions Have Hindered Progress

BSEE leadership has started several initiatives to improve its safety and environmental oversight capabilities but its limited efforts to obtain and incorporate input from within the bureau have hindered its progress. Since 2012, BSEE has sought to augment its annual inspection program with a risk-based inspection program, but limited efforts to obtain and incorporate input from experienced regional personnel have hindered BSEE’s ability to develop and implement the risk-based program. Additionally, in 2016, BSEE conducted an environmental stewardship initiative comprised of two simultaneous environmental risk reduction efforts, but these efforts were overlapping, fragmented, and uncoordinated, which reduced the effectiveness of the initiative and hindered the implementation of identified improvements.

Limited Efforts to Obtain and Incorporate Input from Regional Personnel Hindered the Development and Implementation of Risk-Based Inspection Initiative

Since it was established as a separate bureau in 2011, BSEE leadership has continued an initiative begun by its predecessor to transition the bureau’s inspection program to a risk-based approach. In 2012, BSEE leadership started a new initiative that included the development of a risk model and an approach for inspecting production facilities based on the risk they pose. However, BSEE leadership’s limited efforts to obtain and incorporate input from regional staff and management during development of the program led to poor pilot results. As a result, BSEE

has changed the focus of the program and reduced expectations for its initial approach to risk-based inspections.

BSEE Leadership Began a New Initiative to Develop a Risk-Based Inspection Program, but the Initial Approach Had Several Deficiencies

Interior's efforts to conduct oversight based on risk date back to the 1990s.¹⁷ In 1998, MMS, BSEE's predecessor organization, contracted for a study from Carnegie Mellon University to develop a model to target inspections of offshore facilities based on risk. MMS did not implement the model at the time because it was too complex, according to BSEE officials. In 2009, one year prior to the Deepwater Horizon incident and the dissolution of the MMS in 2010, the Gulf of Mexico Regional Office piloted a risk-based inspection strategy in the Houma, Louisiana and Lake Jackson, Texas districts that regional management recommended for immediate implementation. However, BSEE officials told us that the 2010 Deepwater Horizon incident and Interior's 2010 Safety and Environmental Management System (SEMS) regulation¹⁸ prompted the bureau to reconsider approaches to conducting risk-based inspections. Since 2011, when it was established as the successor to MMS, BSEE has highlighted in every Interior budget justification for the bureau its ongoing efforts to identify and increase oversight of the highest-risk facilities and operators. Additionally, BSEE affirmed its intentions in its 2016-2019 Strategic Plan to develop this risk-based inspection capability as part of its National Inspection Program.¹⁹

¹⁷For example, in the 1990s, the policy of MMS was to conduct inspections of safety devices using a risk-based sampling procedure.

¹⁸30 C.F.R. Part 250, subpart S. BSEE requires operators to have a SEMS program to identify, address, and manage safety, environmental hazards, and impacts during the design, construction, start-up, operation, inspection, and maintenance of all new and existing OCS facilities. The focus of the Safety and Environmental Management System program is on promoting an operator-driven system that continually improves safety culture and safety practices within the industry.

¹⁹BSEE's long-term transition to a risk-based approach to safety inspection aligns with a 2016 recommendation made by the National Research Council's Transportation Research Board in *Strengthening the Safety Culture of the Offshore Oil and Gas Industry* on October 1, 2016. Specifically, the Board recommended that BSEE make greater use of risk principles in determining inspection frequencies and methods, such that operators with good performance records are subject to less frequent or less details inspections. In addition, inspectors should consider shifting from traditional compliance inspections to inspections that follow the safety management approach outlined in the SEMS regulation.

Beginning in 2012, BSEE began an initiative to develop an approach for conducting inspections of offshore facilities based on the level of risks they posed. Specifically, BSEE engaged Argonne National Laboratory (Argonne) to develop a quantitative model to serve as the foundation of BSEE's risk-based inspection capability.²⁰ The model ranks offshore production platforms according to five indicator factors:²¹ (1) whether the facility is a major complex,²² (2) whether the facility's slot count is 15 or greater,²³ (3) the number of inspections resulting in an INC in the previous year,²⁴ (4) whether the facility experienced an incident—such as an explosion, fire, fatality, or injury—in the previous year, and (5) whether the facility experienced an incident in the previous 2 years.²⁵ BSEE intended to use risk-based inspections to augment the required annual inspections by using the results of the Argonne model to identify facilities for supplemental multi-day inspections focusing on each facility's risk management strategies. According to 2015 BSEE documentation on its risk-based approach, the bureau planned to eventually shift inspection resources from lower-risk facilities to higher-risk facilities and transition the overall inspection program from annual compliance inspections to a risk-based approach to more effectively use BSEE's available inspection resources.²⁶

However, to date, BSEE has not successfully implemented this supplemental risk-based inspection capability in the 5 years since taking

²⁰Argonne is a Department of Energy laboratory in Illinois. To develop the formula, Argonne analyzed platform characteristics and past performance data to identify correlations with platform incidents. Argonne developed this model as part of an approximately \$16.5 million interagency agreement between BSEE and the Department of Energy that included other technical assistance projects.

²¹The model adds these factors together and multiplies the sum by the consequence factor, which is the number of components on the facility.

²²Argonne defined a major complex as a facility containing at least one major structure.

²³A facility's slot count is the total number of drilling slots that the facility was designed to handle. In Argonne's study, the count varied between a maximum of 83 and a minimum of zero.

²⁴BSEE can issue a notice of an INC in response to operator violations of safety or environmental standards.

²⁵Argonne defines risk as the likelihood of an incident occurring relative to the severity of its consequence.

²⁶Implementing an inspection program that does not include annual inspections would require a legislative change.

over the initiative from MMS. BSEE leadership led the development of the risk-based program; however, according to officials, leadership developed the program with little input from regional personnel. Officials in the Gulf of Mexico region with knowledge and experience conducting previous risk-based inspection efforts told us they were not apprised of key program products until those products were well under development and were given little opportunity to provide comment on them. As a result, BSEE first identified deficiencies with its risk-based program during pilot testing in 2015,²⁷ rather than working closely with experienced regional personnel earlier in the process to obtain their input to identify potential deficiencies and remediate them during program development. For example, BSEE identified deficiencies in three components of its proposed inspection program: (1) an underlying risk model for ranking all production platforms, (2) the annual inspection planning methodology, and (3) the facility-specific inspection protocol.

Risk Model. BSEE regional officials who have longstanding experience evaluating offshore risk told us that the model is not sophisticated enough to identify platforms for risk-based inspection planning, and that they could have identified its deficiencies earlier in the program development process. Specifically, they said that the model does not contain sufficient information to target facilities for additional risk-based inspections. For example, Argonne's model does not incorporate risk factors such as a facility's change in ownership status or operator bankruptcy—factors that BSEE regional officials told us can be correlated with higher risk, as operators tend to reduce expenditures on maintenance at these times. Additionally, the model does not account for the severity of incidents of noncompliance—for example, whether an incident results in shutting down a facility or a warning—or the quantity assessed—such as whether a facility was cited many times or once in a single inspection. Some BSEE regional officials considered these types of operator performance and risk-related intelligence to be as, or more, important for identifying high-risk facilities than the five factors assessed by the model.

BSEE headquarters worked directly with Argonne on the risk model, and although headquarters officials said they included regional personnel, they did not provide us with evidence of efforts they made to include those personnel or obtain their input on the risk model's initial development. BSEE headquarters officials told us that Argonne

²⁷ Although the bureau initially intended to conduct pilots in fiscal year 2014, BSEE officials told us they instead spent September 2013 to February 2015 testing Argonne's model.

reached out periodically to senior regional personnel, but they did not specify when the laboratory conducted such outreach, what contributions regional personnel made, or whether regional personnel raised concerns during Argonne's outreach. Conversely, BSEE regional personnel told us that BSEE headquarters did not inform them of the development of a risk model or ask them for input leading up to the pilot.

Inspection Planning Methodology. In 2015, BSEE outlined an inspection planning methodology founded on Argonne's quantitative risk model that describes how BSEE would target and plan supplemental safety inspections for offshore production platforms. BSEE's inspection planning methodology prescribes the use of two additional categories of information, alongside Argonne's model, to select production platforms for supplemental risk-based inspections. Specifically, it states that BSEE would use the model's ranking to identify the 20 percent of platforms that pose the highest risk. BSEE would then consider information on operator performance—reported hydrocarbon releases, number of incidents of noncompliance assessed in each category, and the quality of SEMS audit reports—and other risk-related intelligence—including proximity to shore, production rates, and inspector assessment of overall safety—to further narrow the selection of high-risk facilities.

BSEE planned to test its inspection planning methodology by selecting and conducting five pilot inspections in late 2015 and early 2016. According to BSEE's program deployment and implementation plan, the bureau applied Argonne's model to identify the pilot inspections in the Lafayette district.²⁸ However, although BSEE's inspection planning methodology prescribed the incorporation of additional information on operator performance and other risk-related intelligence in its selection of pilot facilities, a BSEE regional official told us that during the Risk Based Oversight Team's discussions, BSEE leadership relied heavily on the risk model alone. Furthermore, although regional personnel participated on the Risk Based Oversight Team when it selected the pilots, a regional official told us they were largely sidelined during the discussions. As a result, regional officials told us the pilot selections were not among the highest risk facilities. For example, three of the top five facilities BSEE selected were idle

²⁸BSEE officials told us they selected Lafayette, Louisiana due to the availability of inspector resources and the diversity of operators and facilities in that district that were representative of the region. They said that they determined that a pilot in one district would allow BSEE to better train staff and develop the inspection protocols.

and not producing and therefore were not inspected as part of the pilot. By going against BSEE's inspection planning methodology, BSEE leadership appears to have excluded the input of regional personnel, undercutting the pilot effort and raising questions about whether the bureau's leadership has the commitment necessary to enable the successful implementation of its risk-based program.

Inspection Protocol. BSEE's inspection planning methodology also specified that the Risk-Based Oversight Team should develop an inspection protocol in advance of conducting risk-based inspections that is tailored to each facility and describes the roles and responsibilities of personnel, including what components and safety systems will be reviewed or tested. Additionally, BSEE's program methodology describes the protocol for deliverables and the dissemination of the inspection results.²⁹

However, BSEE did not establish a clear pilot inspection protocol for the inspection team and operator for the first pilot, which led to confusion for BSEE personnel and the operator. Specifically, BSEE officials involved in the inspection told us that headquarters did not inform inspection team members of their responsibilities, resulting in ineffective use of time. In turn, for the second pilot inspection, BSEE officials told us that BSEE leadership asked regional personnel to develop the inspection protocol. Officials told us that the second pilot inspection was an improvement over the first because personnel were better prepared to carry out their responsibilities. However, officials said the inspection proved to be more time consuming than BSEE expected, particularly when compared to the time required to conduct a typical annual inspection. Specifically, according to one official, the inspection team needed between 500 and 600 total work hours to complete the pilot inspection, in part due to the time required in developing a facility-specific protocol. For comparison, the official told us that a typical annual inspection of a deep water platform requires about 100 total work hours. In addition, the official told us that annual inspections are a more comprehensive review of a facility's safety systems because inspectors test and validate all necessary components, whereas a risk-based inspection considers only specific aspects of safety performance culture. Therefore, it is not clear whether risk-based inspections, as performed during the pilot, have

²⁹According to BSEE's program documentation, the Risk-Based Oversight Team is composed of representatives from BSEE's Office of Offshore Regulatory Programs, and Gulf of Mexico regional and district level staff.

proven to be a more effective method for evaluating safety relative to annual inspections.

Additionally, BSEE's inspection planning methodology prescribes that the Risk-Based Oversight Team provide final pilot reports to the operators of the facilities at the earliest opportunity. However, according to officials, BSEE did not provide the operator of the first pilot facility with a report of its findings. Similarly, they said BSEE did not provide a report to the operator of the second pilot facility, only a verbal debrief until the operator requested a report through BSEE's regional office. Because BSEE did not provide formal reports to operators included in the both pilots in a timely manner, a BSEE debrief noted that one of the operators was confused about the final results of the inspection. The purpose of the risk-based inspection initiative is to provide operators with the opportunity to address issues and improve their safety management systems, for which they need timely access to inspection results.

BSEE headquarters led the development of the inspection planning methodology and the facility-specific inspection protocol without obtaining and incorporating input from regional personnel who had knowledge and experience conducting risk-based inspection efforts. The Gulf of Mexico region was to evaluate risk routinely when planning inspections since at least the year 2000, because BSEE's inspection policy stipulates that the region is to conduct supplemental unannounced inspections based on a quantitative and qualitative assessment of risk.³⁰ In addition, BSEE's inspection policy states that the bureau is to evaluate quantitative and qualitative risk assessment criteria to determine whether a facility's annual scheduled inspection should be a complete inspection or an inspection of a selected sample of safety components. Furthermore, personnel from that region conducted a risk-based inspection pilot in 2009 in the Houma, Louisiana, and Lake Jackson, Texas, districts that regional

³⁰According to BSEE officials, the Gulf of Mexico region conducted 541 unannounced inspections in fiscal year 2016, as of August 2016.

management recommended for immediate implementation.³¹

Nevertheless, regional officials who had knowledge of the 2009 pilot said that BSEE headquarters led and developed the first facility-specific inspection protocol without their input.

According to officials, BSEE headquarters proceeded with pilot inspections before regional personnel had the opportunity to raise concerns about the risk model, the inspection planning methodology, and the facility-specific inspection protocol. As a result of these deficiencies, officials involved in the first pilot inspection described it as a failure that produced few, if any, results. Only after the first pilot did BSEE leadership begin to engage regional personnel and incorporate their input on the program, according to officials. In response to the deficiencies BSEE identified during the first two risk-based pilot inspections, in July 2016, BSEE revised the risk-based inspection program based on a proposal that regional personnel told us they developed, which incorporates a risk-based methodology that they had previously used in the Gulf of Mexico. Specifically, to supplement the facility-based approach that BSEE leadership had been developing since 2012 based on Argonne's risk model, BSEE regional personnel proposed reconstituting an inspection methodology that MMS used prior to the Deepwater Horizon incident called "blitz" inspections. Blitz inspections focus on specific facility components—such as compressors, generators, or cranes—that the bureau determines are high-risk based on analyses of trends in incidents. Officials told us that they added this tier of inspections because it allowed them to target risk across more facilities in less time than is required for comprehensive risk-based facility inspections. Specifically, BSEE intends for a typical round of blitz inspections to encompass approximately 50 facilities for 2 to 3 hours each. Under the initial program methodology developed by BSEE leadership, BSEE stated that it would be able to use the facility-based methodology as a systematic way of deciding where to

³¹According to officials, prior to the *Deepwater Horizon* incident, MMS had difficulty meeting the annual inspection mandate as laid out in OCSLA because of the small size of the inspection force relative to the facilities operating offshore. Over the years, various attempts were made to ensure that MMS successfully met its annual mandate of inspecting every facility at least once annually. One of these efforts involved only inspecting a set of predetermined mandatory components, as well as a representative sample of other components. The goal of the 2009 risk-based pilot was to identify the lowest risk facilities (e.g., small unmanned platforms, shut-in platforms, low gas producers) for which a full inspection would not be required so that very limited resources could be diverted to higher-risk facilities. Eventually, Interior's Office of the Solicitor determined that inspections using the component sampling technique would not suffice to meet the OCSLA mandate.

commit annual inspection resources. However, officials said the bureau now anticipates using the risk-based methodology to target no more than five facilities per year, instead of the more than 20 per year officials originally estimated. Instead, BSEE's revised program methodology will use both blitz inspections and facility-based inspections based on Argonne's model. BSEE's current plans are to conduct additional pilots under the revised program methodology prior to implementation in fiscal year 2017.

Limited Efforts to Obtain and Incorporate Input Hindered BSEE's Ability to Identify and Remediate Deficiencies in Its Risk-Based Inspection Program

In July 2003, we found that when implementing large-scale management initiatives, a key practice is involving employees to obtain their ideas and gain their ownership by incorporating employee feedback into new policies and procedures.³² We found that employee involvement strengthens the process and allows them to share their experiences and shape policies, and that in leading organizations, management and employee representatives work collaboratively to gain ownership for these changes. Further, management's responsibility to develop policy and programs in a collaborative manner is established in both BSEE's internal policy and federal internal control standards. BSEE's inspection policy states that headquarters is responsible for coordinating the development of national inspection policy, including taking into account region-specific circumstances. BSEE regional leadership is responsible for administering and implementing the inspection policy; therefore, logically, regional leadership would be a key contributor to helping develop BSEE inspection policy. In addition, under the Standards for Internal Control in the Federal Government, management should internally communicate the necessary quality information to achieve its objectives.³³ For example, quality information is communicated down, across, up, and around reporting lines to all levels of the entity, and management receives such information about the entity's operational processes that flows up the reporting lines from personnel to help management achieve the entity's objectives. Therefore, systematic input from within the entity would help it achieve its objectives.

³²GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

³³[GAO-14-704G](#).

However, BSEE management made limited efforts to obtain and incorporate input from regional personnel in developing the three components of the risk-based inspection program, which contributed to deficiencies that led to an unsuccessful pilot, and ultimately, BSEE has been unable to achieve its goal of implementing a systematic risk-based inspection program. Without an Interior organizational unit at a higher level than BSEE (i.e., higher level oversight independent from BSEE) establishing a mechanism for BSEE management to obtain and incorporate input from personnel within the bureau, BSEE's risk-based inspection program could experience continued delays and implementation problems.

Coordination Problems Hindered BSEE's Environmental Stewardship Efforts

BSEE leadership initiated two simultaneous Environmental Stewardship efforts to reduce environmental risks related to U.S. offshore oil and gas operations, but the efforts were partially overlapping, fragmented, and uncoordinated, which reduced the value of the outputs. In 2015, BSEE leadership sought to establish a baseline for environmental risks associated with U.S. offshore oil and gas operations and measure the effectiveness of its environmental protection functions and environmental stewardship priorities to better implement BSEE's mission. These efforts included (1) identifying potential environmental risks associated with offshore oil and gas operations; (2) identifying current BSEE functions meant to regulate and manage those risks; (3) linking BSEE environmental stewardship priorities to specific industry activities and associated risks; and (4) identifying potential environmental stewardship gaps where BSEE functions might not be fully addressing industry activities with high environmental risk. These efforts were led and coordinated by BSEE leadership in the Environmental Compliance Division at headquarters, which BSEE created in 2015 to establish national strategic goals and procedures for the bureau's environmental compliance activities.³⁴

As part of the Environmental Stewardship initiative, BSEE conducted two environmental risk reduction efforts. Specifically, in December 2015, BSEE headquarters engaged Argonne to conduct an Environmental Risk

³⁴BSEE also identified environmental stewardship as one of its operational excellence goals in its *Fiscal Year 2016-2019 Strategic Plan*.

Assessment, and in February 2016, established an internal Environmental Stewardship Collaboration Core Group (Core Group) comprised of BSEE personnel.³⁵ In July 2016, both Argonne and the Core Group produced final reports summarizing their findings. Both reports found that some of BSEE's activities, such as those focused on safety oversight, were not clearly linked to environmental stewardship. Additionally, Argonne also reported that some environmental protection and stewardship activities are not described in sufficient detail in BSEE regulations, policies, and interagency agreements. Argonne recommended that BSEE clarify functions that primarily focus on safety to explicitly identify environmental protection as an aspect of safe operations. Likewise, the Core Group found that some programs' relationships to environmental stewardship might not always be readily apparent to program staff or more broadly within BSEE.

The efforts were overlapping because BSEE leadership tasked both Argonne and the Core Group with the same five objectives to identify: (1) linkages and gaps in BSEE's environmental stewardship of offshore oil and gas operations, (2) all environmental risks in offshore oil and gas operations, (3) mitigations already in place to reduce the identified environmental risks, (4) stewardship priorities for the Environmental Compliance Division; and (5) opportunities for improvement of BSEE environmental stewardship.

However, the efforts were also fragmented because BSEE leadership did not effectively coordinate the execution of these efforts, which hindered information sharing between Argonne and the Core Group that could have enhanced the value of each effort's report. Instead, both efforts were executed simultaneously with little evidence of information sharing or communication. For example, Argonne presented its work at the Core Group's initial meeting in February 2016; however, at that time, Argonne had not yet completed the majority of its contracted tasks. BSEE officials involved in the Core Group also told us that Argonne did not contribute to the Core Group activities throughout the effort. According to BSEE officials, Argonne's findings were added to the Core Group report by bureau leadership following the completion of the Core Group's assessment and without discussion or assessment by Core Group team members. Similarly, some officials involved in the Core Group said that

³⁵BSEE funded Argonne's effort via an interagency agreement with the Department of Energy for approximately \$600,000.

BSEE headquarters did not communicate the objectives of the Argonne effort, thereby limiting the ability of the Core Group to coordinate with Argonne to maximize its results.

Furthermore, Argonne did not have access to bureau information and personnel that could have enhanced its efforts. Argonne's report stated that BSEE regional experts had information and technical knowledge that could be used to review their assumptions and to identify additional industry activities for analysis. Argonne also stated that it may have over- or underestimated potential risks, and did not determine the effectiveness of BSEE's environmental stewardship activities.³⁶ In turn, Argonne recommended BSEE regional subject matter experts review its analysis regarding the assumptions used in the risk evaluation and repeat the risk characterization using parameters that regional experts determine to be more appropriate. Because Argonne was aware of the limitations of its assessments, Argonne recommended that BSEE regional experts redo and validate these assessments. In addition to its report, Argonne provided the bureau with a spreadsheet-based risk assessment tool for BSEE to use during office verification and field monitoring. However, given Argonne's concern about the accuracy of its analysis, BSEE plans to review and verify Argonne's work.

In addition to its report, the Core Group established a bureau-wide definition for environmental stewardship and BSEE leadership drafted three work plans. The work plans include one plan to promote environmental stewardship on a continuous basis,³⁷ one work plan to redo Argonne's analysis, and another to create a manual with environmental compliance standard operating procedures for several of its core functions. BSEE anticipates that this work will be ready for management review in January 2017.

³⁶Argonne's report stated that identification of possible stewardship gaps does not necessarily mean that the associated environmental impacts are occurring or are not sufficiently limited or mitigated by current BSEE environmental protection and stewardship activities. The Statement of Work did not specify whether BSEE asked Argonne to determine the effectiveness of the bureau's activities.

³⁷The Core Group defined environmental stewardship as the responsibility of all BSEE employees to carry out to the highest standards all duties that contribute, directly or indirectly, to the management, protection and care of the coastal, marine, and human environments.

BSEE headquarters was responsible for coordinating with Argonne officials to ensure they had access to BSEE subject matter experts during the assessment, especially for the risk characterization and ranking task. Because effective coordination did not occur, the resources used to do these two simultaneous analyses were not used efficiently. BSEE's National Environmental Compliance Policy calls for coordination within the bureau when developing national policies and procedures. When BSEE initiated these efforts, bureau policy stated that communication and coordination within the Bureau and with external stakeholders is an essential component of success for its environmental division. In April 2016, BSEE updated its national policy but maintained an emphasis on good coordination across the bureau. Specifically, the current policy states that the Environmental Compliance Division collaborates within the bureau on national efforts to develop goals and policies. Furthermore, communication is an element of good federal internal controls. Under the Standards for Internal Control in the Federal Government management should internally and externally communicate the necessary quality information to achieve the entity's objectives.³⁸ Because BSEE management tasked both environmental risk response efforts with the same objectives and did not effectively communicate information to coordinate the efforts, the efforts overlapped and ultimately delivered few results that BSEE can implement immediately. Without higher level oversight within Interior establishing a mechanism for BSEE management to obtain and incorporate input from personnel within the bureau and any external parties, such as Argonne, that can affect the bureau's ability to achieve its objectives, BSEE's Environmental Stewardship efforts are likely to experience continued implementation and efficacy problems.

BSEE Leadership Has Made Limited Progress in Implementing Strategic Initiatives to Improve Its Internal Management

Since 2013, BSEE began four strategic initiatives to improve its internal management, but their successful implementation has been hindered by limited leadership commitment and not addressing factors contributing to trust concerns. In 2013 and 2014, BSEE leadership began initiatives—development of an enterprise risk management framework and

³⁸[GAO-14-704G](#).

performance measures, respectively—to improve its decision making capabilities—but has not fully implemented them. By not fully implementing internal management initiatives, BSEE management demonstrates limited leadership commitment. In 2016, BSEE conducted initiatives—an employee engagement effort and an assessment of its Integrity and Professional Responsibility Advisor—to enhance communication and transparency, but these do not address key factors that contribute to long-standing trust concerns within the bureau.

BSEE Leadership Began Initiatives to Improve Bureau Internal Management Capabilities but Has Not Fully Implemented Them

BSEE leadership began initiatives to improve bureau internal management capabilities but has not fully implemented them. In 2013, BSEE began an initiative to develop an ERM framework but has not fully implemented it as a management tool. In 2014, BSEE began an initiative to develop performance measures for its programs but has not implemented any measures.

BSEE Has Not Fully Implemented Its Enterprise Risk Management Framework

BSEE has made some progress over the past 3 years in implementing an ERM framework but has not completed the actions necessary to fully implement it. In 2013, BSEE began an initiative to develop and implement an ERM framework to provide enduring management of internal and external risks that threaten achievement of BSEE's mission. The Office of Management and Budget defines ERM as an effective agency-wide approach to addressing the full spectrum of the organization's risks by understanding the combined impacts of risks as an interrelated portfolio, rather than addressing risks only within silos (i.e., viewing problems in isolation).³⁹ BSEE's Fiscal Year 2016-2019 Strategic Plan identifies the integration of enterprise risk management into bureau-wide decision making as a key initiative to meet BSEE's strategic goal to enhance decision making through the collection, management, and analysis of

³⁹Office of Management and Budget, Cir. No. A-11, at § 270.24. In addition, the Office of Management and Budget issued new policy for agency implementation of Enterprise Risk Management in July 2016. Office of Management and Budget, Cir. No. A-123.

high-quality information.⁴⁰ In conjunction with a contracted ERM support consultant, BSEE developed an iterative ERM cycle that includes six steps: (1) establish an ERM program, (2) identify individual risks and group them into strategic risks, (3) prioritize risks, (4) develop risk treatments, (5) implement selected risk treatments, and (6) monitor performance.⁴¹

BSEE completed the first three of these six steps in its iterative ERM cycle. BSEE officials told us that they had taken actions on the other three steps. Specifically:

1. Establish an ERM program: BSEE established an ERM charter in 2014 and drafted an ERM Handbook and Bureau Manual Chapter to guide ERM activities in April 2016 but has not finalized or distributed them throughout the bureau.
2. Identify individual risks and group them into strategic risks: In 2014, BSEE identified 12 strategic risks that cover the lifecycle of BSEE operations.
3. Prioritize risks: In 2014, the bureau prioritized its strategic risks, according to BSEE ERM planning documentation. BSEE assessed each strategic risk by evaluating the potential severity and likelihood of a failure event occurring and ranked them based on the results.⁴²
4. Develop risk treatments: BSEE planned to verify the prioritization of its top several strategic risk treatments by July 2016 but did not do so. BSEE officials told us that the bureau halted ERM implementation while it acquired automated ERM software. However, in November 2016, BSEE determined that it would reinstate ERM implementation simultaneous to the implementation of software. BSEE now plans to complete evaluation of risk treatments in March 2017.
5. Implement selected risk treatments: BSEE planned to finalize a plan for its prioritized risk treatments by August 2016 but did not do so

⁴⁰BSEE's fiscal year 2016 and 2017 Budget justifications highlighted its ERM initiative as key to implementing its strategic plan.

⁴¹Since 2013, BSEE has spent approximately \$1.5 million on contracted consultant support to develop and implement its ERM framework.

⁴²BSEE's assessment of severity is based on four factors: (1) number of deaths, (2) barrels of oil spilled, (3) dollar value of economic damage, and (4) impact to internal bureau structure. BSEE's assessment of likelihood is based on the frequency of occurrence over a given time period.

because of the aforementioned temporary halt to ERM implementation. BSEE officials told us that the bureau has implemented some risk treatments. BSEE now plans to finalize its risk treatment plan in March 2017.

6. Monitor performance: BSEE plans to begin monitoring the performance of its risk treatments following their implementation. BSEE intended to promulgate a monitoring plan by October 2016 but did not do so because of the aforementioned temporary halt to ERM implementation. BSEE now plans to complete its monitoring plan in March 2017.

As part of its ERM initiative, BSEE is assessing the risks posed by its relationships with other agencies. BSEE's Fiscal Year 2016-2019 Strategic Plan identified reviewing the efficacy and implementation of current interagency relationships as a key initiative to support its strategic goal of maintaining productive relationships with external entities.⁴³ In 2015, BSEE's ERM support consultant assessed existing interagency relationships by prioritizing the 35 known memorandums of agreement, understanding, and collaboration based on the risk exposure they pose to the bureau. Of these 35 interagency memorandums, BSEE's consultant determined that 11 created a significant or moderate increase in risk exposure to the bureau. For example, the consultant determined that a memorandum of understanding with BOEM to carry out assigned responsibilities under the agreement between the U.S. and Mexico concerning transboundary hydrocarbon reservoirs in the Gulf of Mexico created the greatest risk exposure to BSEE. BSEE has developed a plan to update one of these agreements but has not developed any specific plans to complete revisions for the other 10.⁴⁴

In 2016, BSEE began developing a systematic process for lifecycle management of interagency agreements and to improve the bureau's awareness of existing agreements and their implementation status, among other things. For example, BSEE has developed four criteria for prioritizing interagency agreements in need of update. BSEE also identified additional interagency agreements not identified by the bureau's

⁴³Other BSEE efforts also recommended updating the bureau's interagency relationships. A 2013 internal BSEE internal evaluation recommended improvements to relationships with other agencies. Brian Salerno, *Building Stronger Connections: An independent look at BSEE's [sic] interagency partnerships and their regulatory effectiveness* (July 5, 2013).

⁴⁴BSEE plans to complete implementations of its updated memorandum of understanding with the Environmental Protection Agency by the end of March 2017.

ERM consultant. BSEE planned to assess and prioritize the risks posed by these newly discovered agreements by October 2016, but the bureau now plans to do so in March 2017. BSEE also plans to implement a bureau manual chapter and handbook that outlines a lifecycle interagency agreement management process in June 2017.

BSEE Has Not Implemented Program Performance Measures

Since 2012, BSEE has highlighted the need to develop and implement performance measures to inform management decision making. Specifically, BSEE's October 2012 Strategic Plan - Fiscal Years 2012-2015 stated that the bureau must develop performance measures to assess the results of its programmatic efforts as well as its ability to reduce the risks of environmental damage and accidents. Additionally, the October 2013 Director's Intent message—which outlined the BSEE Director's multi-year priorities—reaffirmed this need, stating that BSEE must measure to make informed management decisions and that to do so it must set key performance targets and measures, consistent with its strategic plan, and use them to guide its actions and decisions.⁴⁵

BSEE's initiative to develop performance measures has been comprised of three sequential efforts, none of which have resulted in the implementation of performance measures. In July 2014, the bureau initiated the first of three formal efforts to develop performance measures. Specifically, BSEE contracted with a consultant to reassess its existing performance management system and update it as needed to ensure managers can make informed data-driven decisions.⁴⁶ However, BSEE terminated the contract in January 2015 because, according to BSEE officials, leadership determined that the bureau needed to complete its ongoing internal organizational restructuring prior to developing programmatic performance measures.⁴⁷

In December 2015, BSEE began its second effort, using the same consultant under a separate contract to develop performance measures for the national programs it established during its organizational

⁴⁵Each of BSEE's last four annual budget justifications—fiscal years 2014 through 2017—highlighted ongoing efforts to develop performance measures to improve program performance.

⁴⁶The total value of this contract, including all options, was approximately \$875,000.

⁴⁷BSEE paid the consultant approximately \$195,000 prior to its termination.

restructuring—investigations, environmental compliance, and enforcement, as well as its Integrity and Professional Responsibility Advisor (IPRA).⁴⁸ Specifically, the contract stipulated that the consultant analyze program objectives and components, develop potential performance measures, identify data sources and data collection requirements, and coordinate with BSEE officials to establish objectives for each measure. In March 2016, the consultant delivered a report to BSEE that identified 12 performance measures—5 for investigations, 3 for environmental compliance, 2 for enforcement, and 2 for the IPRA.⁴⁹ However, BSEE headquarters officials told us that they are not implementing the measures and plans developed by the consultant due to a variety of factors, such as data availability limitations. For example, one proposed measure included a methodology to assess the effectiveness of issuing civil penalties to operators for safety or environmental infractions as a deterrent to committing future infractions. However, BSEE headquarters officials stated that the bureau does not issue enough civil penalties to conduct such an assessment—that is, the universe of available data to assess is too small. BSEE headquarters officials told us that the bureau did not implement the consultant-developed measures, but rather that those measures are informing BSEE’s third effort to develop performance measures.

In 2016, BSEE initiated a third effort to develop performance measures by providing a framework for considering performance management. Specifically, in January 2016—simultaneous to the aforementioned consultant’s performance measure development effort—BSEE finalized a fiscal year 2016 work plan for the implementation of a revised performance management framework to include the identification of performance measures to help leadership gauge progress against the bureau’s strategic plan.⁵⁰ BSEE headquarters officials told us that this

⁴⁸BSEE’s fiscal year 2016 and 2017 budget justifications state that one of the goals of the bureau’s organizational restructuring was to develop performance measures for major program functional areas. Developing performance measures for the established national programs was part of a contract to provide support services for an organizational restructuring. The total value of the contract was approximately \$1.23 million, of which \$43,500 was designated for the development of performance measures.

⁴⁹Some measures were classified as “informational” because they do not include performance targets and were developed to provide insight into programmatic function and establish baseline data on activities.

⁵⁰BSEE contracted with its restructuring support consultant to compile the bureau’s 23 fiscal year 2016 program work plans in a February 2016 report for \$64,000.

initiative, which is being conducted internally by BSEE personnel, represents the beginning of a multi-year effort to implement a performance management system. BSEE initially planned to finalize its internally-developed list of performance measures in February 2016, but did not meet this deadline. Additionally, BSEE headquarters officials told us that in June 2016, the bureau narrowed the scope of the initiative from a comprehensive set of performance measures to no more than three performances measures per program. These officials explained that this was a more feasible scope given the difficulties in obtaining management commitment as well as the technical complexity of the initiative. As of August 2016, BSEE had developed 17 draft performance measures, but bureau leadership has repeatedly missed deadlines to review them. BSEE headquarters officials told us that, subsequent to leadership approval, the bureau plans to pilot these measures and develop others in upcoming years. In December 2016, BSEE completed a fiscal year 2016 Baseline Performance Measure Report that discusses these 17 measures and the bureau's plans for future iterations of their development.

By Not Fully Implementing Internal Management Initiatives, BSEE Management Demonstrates Limited Leadership Commitment

We have previously reported on BSEE's struggles to effectively implement internal management initiatives. Specifically, in February 2016, we found that since its inception in 2011, BSEE had made limited progress in enhancing the bureau's investigative, environmental compliance, and enforcement capabilities.⁵¹ More than 2 years into its restructuring effort—and more than 5 years after the Deepwater Horizon incident—the bureau had not completed the underlying policies and procedures to facilitate the implementation of its national programs for these three capabilities. Moreover, we found that BSEE continues to face deficiencies in each of these capabilities that undermine its ability to effectively oversee offshore oil and gas development. As a result, among other things, we recommended that Interior direct BSEE to complete the policies and procedures for these three capabilities. Interior agreed that additional reforms—such as documented policies and procedures—are needed to address offshore oil and gas oversight deficiencies, but Interior neither agreed nor disagreed with our recommendation.

⁵¹[GAO-16-245](#).

Likewise, with regard to its ongoing strategic initiatives, more than 3 years have passed since BSEE initiated the development of its ERM framework, and more than 2 years have passed since BSEE prioritized the strategic risks it faces. However, BSEE has yet to develop, implement, and monitor risk treatments to even the highest priority risks. Moreover, more than 4 years have passed since BSEE identified the development and implementation of performance measures as an organizational need. In that time, BSEE initiated several efforts to develop and implement such measures, and although BSEE has developed measures, it has yet to fully implement any.

In our 2013 High-Risk update, because progress had been made in one of the three segments we identified in Interior's Management of Federal Oil and Gas Resources on our 2011 High-Risk List—reorganization of its oversight of offshore oil and gas activities—we narrowed the scope of the high-risk area to focus on the remaining two segments (revenue collection and human capital).⁵² One of our five criteria for assessing whether an area can be removed from our high-risk list is leadership commitment—that is, demonstrated strong commitment and top leadership support.⁵³ An example of leadership commitment is continuing oversight and accountability. In our 2015 High-Risk update, we determined that Interior had met our criteria for leadership commitment because Interior had implemented a number of strategies and corrective measures to help ensure the department collects its share of revenue from oil and gas produced on federal lands and waters and was developing a comprehensive approach to address its ongoing human capital challenges. However, BSEE leadership has not demonstrated continuing oversight and accountability for implementing internal management initiatives, as evidenced by its limited progress implementing key strategic initiatives as well as its inability to address long-standing oversight deficiencies. BSEE leadership has consistently stated that it prioritized internal management initiatives by citing their importance in strategic plans and budget justifications. For example, BSEE's fiscal year 2017 budget justification states that three key initiatives will inform the implementation of the bureau's Fiscal Year 2016-2019 Strategic Plan: (1) refinement of a comprehensive set of output and outcome based performance measures; (2) implementation of an ERM framework to

⁵²[GAO-13-283](#).

⁵³The five criteria for removal are (1) leadership commitment, (2) agency capacity, (3) an action plan, (4) monitoring efforts, and (5) demonstrated progress. [GAO-15-290](#).

facilitate information sharing and identify the risk relationships among and within programs; and (3) implementation of its national program manager model to ensure consistency across regions. According to the budget justification, these initiatives support both effective decision making and assessment of BSEE's progress in meeting its priorities. However, BSEE leadership has not fully implemented actions to demonstrate the commitment necessary to enable the successful implementation of such initiatives. Without higher-level oversight within Interior addressing leadership commitment deficiencies within BSEE—including by implementing internal management initiatives and ongoing strategic initiatives (e.g., ERM and performance measure initiatives)—in a timely manner, the bureau is unlikely to succeed in implementing internal management initiatives, including its key strategic initiatives for ERM and performance measures, in a timely manner.

BSEE Employee Engagement Initiative and IPRA Process Assessment Have Not Addressed Factors Contributing to Long-Standing Trust Concerns between Headquarters and the Regions

In 2016, BSEE conducted two initiatives—one on employee engagement and an assessment of its IPRA—to enhance communication and transparency, but these initiatives have not achieved results or addressed factors that contribute to trust concerns within the bureau.

BSEE Has Not Developed an Employee Engagement Strategy

BSEE's Fiscal Year 2016-2019 Strategic Plan discusses improving employee engagement—generally defined as the sense of purpose and commitment employees feel toward their employer and its mission—to foster a culture of collaboration within BSEE by, among other things, enhancing trust and implementing an internal communications approach that encourages dialogue and sets expectations for sharing accurate and timely information. A 2015 bureau strategic planning summary document stated that there is a lack of trust and respect between and among headquarters, regions, and the districts. Additionally, a 2013 BSEE internal evaluation found that some outside the bureau commented that BSEE does not appear to trust its own personnel.⁵⁴ We have previously

⁵⁴Brian Salerno, *Building Stronger Connections: An independent look at BSSE's [sic] interagency partnerships and their regulatory effectiveness* (July 5, 2013).

found that communication from management—as reflected by employee responses in the Federal Employee Viewpoint Survey⁵⁵—is one of the six strongest drivers of employee engagement.⁵⁶ BSEE Federal Employee Viewpoint Survey data for 2013, 2014, and 2015 indicate that approximately one-third of BSEE respondents were not satisfied with information received from management regarding organizational activities (32.9, 31.1, and 32.9 percent, respectively).⁵⁷ Likewise, less than half were satisfied with information received from management regarding organizational activities (41.7, 46.1, and 43.7 percent, respectively).⁵⁸

According to some BSEE officials from across the bureau, the need to improve trust and communication are interconnected. Some senior BSEE officials throughout the organization told us that poor communication from headquarters has exacerbated trust issues between headquarters and the regions (including districts) that have existed since the 2010 Deepwater Horizon incident. As previously discussed, BSEE leadership's safety and environmental stewardship initiatives have had limited success, largely due to poor communication and coordination between headquarters and the regions. BSEE officials from across the bureau told us that the poor communication between headquarters and the regions led to a deficit of trust vertically throughout the bureau. They also told us that because BSEE headquarters was newly established as part of the reorganization of MMS in 2010 following the Deepwater Horizon incident, there were not many existing relationships between headquarters and regional personnel. BSEE regional officials told us of specific examples in which BSEE headquarters did not communicate certain information to the regions, which has exacerbated the existing trust concerns, including the following examples:

⁵⁵The Federal Employee Viewpoint Survey is a tool that measures employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies. Survey results provide valuable insight into the challenges agency leaders face in ensuring the federal government has an effective civilian workforce and how well they are responding.

⁵⁶GAO, *Federal Workforce: Additional Analysis and Sharing of Promising Practices Could Improve Employee Engagement and Performance*, [GAO-15-585](#) (Washington, D.C.: July 14, 2015).

⁵⁷The government-wide averages during fiscal years 2013 through 2015 were 28.5, 29.9, and 29.2 percent, respectively.

⁵⁸The government-wide averages during fiscal years 2013 through 2015 were 47.6, 45.6, and 46.8 percent, respectively.

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- BSEE leadership reorganized its Pacific region with a structure that does not align directly with the bureau's national program manager model and did not communicate the reasons why. One of the guiding principles of BSEE's organizational restructuring was consistency, but limited communication regarding BSEE's reorganization of its regions led some to believe that BSEE headquarters was not abiding by this principle. According to senior BSEE officials, the bureau restructured the Pacific Region—which includes 42 permanent full time equivalent positions—due to management problems with some personnel. They told us that to maintain an appearance of impartiality during the reorganization of the Pacific Region, BSEE contracted with a consultant to recommend a new organizational structure.⁵⁹ In turn, the consultant recommended changes to address a lack of leadership and ineffective communication in the region, which BSEE officials told us influenced the new regional structure. However, this new structure does not include offices that correspond to the new national programs established during BSEE's organizational restructuring—investigations, environmental compliance, and enforcement. BSEE leadership officials told us that the small relative size of the Pacific Region necessitated a unique structure. Conversely, the Gulf of Mexico region—an organization more than 10 times as large, with 454 full time equivalent positions—was restructured internally by BSEE personnel without relying on a consultant. Additionally, the Gulf of Mexico Region's revised organizational structure aligns with the national program manager model implemented at BSEE headquarters (i.e., it has offices dedicated to the new national programs—investigations, environmental compliance, and enforcement). Some BSEE officials told us that they were unaware of leadership's rationale for the differences in office structures because it was not communicated across the bureau. In turn, this lack of communication from headquarters led to confusion because regional personnel viewed it as inconsistent with the Director's Intent for the restructuring, which contributed to trust concerns.
 - BSEE headquarters did not notify the Gulf of Mexico Region when it advertised for two field-based positions located in the region to manage its SEMS program.⁶⁰ According to BSEE regional officials, these positions would replicate functions that already existed in the Gulf of Mexico Region's Office of Safety Management. Further, the

⁵⁹The value of this contract was approximately \$410,000.

⁶⁰One of the goals of BSEE's *Fiscal Year 2016-2019 Strategic Plan* is to better define and communicate the roles of all BSEE offices.

reporting chain of these positions did not align with other actions taken during organizational restructuring, which emphasized consistency across the bureau. Specifically, these field-based positions would report to headquarters rather than regional leadership even though the Gulf of Mexico Region recently had undergone a restructuring to ensure that regional program offices report to regional leadership rather than headquarters. As a result, BSEE regional officials told us that headquarters' actions to create new positions that would affect the region without notifying it contributed to the trust concerns of regional personnel.

- BSEE headquarters did not disseminate the final 2016 Environmental Stewardship Collaboration Core Group report to all group members, including representatives from the Office of Environmental Compliance, which is BSEE's primary organization for conducting environmentally-focused oversight. As a result, BSEE operational personnel who could potentially benefit from the results of the working group were not advised of its final findings.

In February 2016, BSEE announced an initiative to assess internal communications and develop an employee engagement strategy. The data collection plan for this employee engagement initiative focused on conducting outreach across the bureau to identify the means by which BSEE personnel prefer to receive information—for example, town hall meetings, BSEE's website, or e-mail. BSEE conducted this outreach but as of November 2016 had not developed an employee engagement strategy—although its original target completion date was April 2016—and it is unclear when it will do so. In September 2016, BSEE decided to conduct a second round of outreach across the organization by spring 2017 to review feedback from the initial outreach, discuss next steps, and provide guidance on existing communications resources. Additionally, based on its initial outreach efforts, BSEE identified numerous interim projects to undertake while it develops its employee engagement strategy: redesigning the bureau's intranet website, updating its online employee directory, briefing employees on employee engagement project findings, training on BSEE's e-mail system, building staff interaction, and streamlining its staff onboarding process. However, BSEE headquarters officials told us that the bureau has not identified a plan with time frames for completion of these efforts.

BSEE employee engagement initiative documentation identifies the need to enhance communication vertically and horizontally across the bureau, but it is unclear whether its employee engagement initiative will address the lack of quality information that BSEE officials told us undermines trust

across the organization or set expectations for sharing accurate and timely information as called for by BSEE's Fiscal Year 2016-2019 Strategic Plan. Under Standards for Internal Control in the Federal Government, management should internally communicate the necessary quality information to achieve the entity's objectives.⁶¹ For example, management communicates such quality information down, across, up, and around reporting lines to all levels of the entity. However, it is unclear whether BSEE's employee engagement initiative will do so because the scope of the effort has focused on means of communication rather than quality of information. Without expanding the scope of its employee engagement initiative to incorporate the need to communicate quality information throughout the bureau, BSEE's employee engagement initiative might not address the lack of quality information being communicated throughout the bureau that is exacerbating trust concerns.

BSEE's IPRA Pilot Assessment Did Not Address Unclear and Conflicting Guidance

The bureau's IPRA is responsible for promptly and credibly responding to allegations or evidence of misconduct and unethical behavior by BSEE employees and coordinating its activities with other entities, such as the IG.⁶² Senior BSEE officials from across the bureau stated that the IPRA function is critical to bolstering trust within the bureau because personnel need to have a functioning mechanism to which they can report potential misconduct by other employees. However, some BSEE officials from across the bureau expressed concern regarding the IPRA's process for adjudicating allegations of misconduct. To increase transparency and consistency in how IPRA cases are handled following the completion of an investigation report, BSEE conducted a pilot initiative in 2016 to assess the types of allegations of misconduct being reported to the IPRA as well as the frequency with which the IPRA referred such allegations to other entities. In August 2016, BSEE determined that the majority of incoming allegations are being directed to the appropriate office for action.

⁶¹ [GAO-14-704G](#).

⁶² As part of BSEE's restructuring of its investigative capabilities in 2015, the bureau established an IPRA within the Office of the Director to investigate allegations of serious misconduct involving any employee not accepted for investigation by the IG. The IPRA function had previously been located in BSEE's Investigations and Review Unit (IRU), which was dissolved as part of BSEE's organizational restructuring in 2015 and split into two new programs: the Safety and Incident Investigation Division and the IPRA.

However, BSEE's pilot initiative did not address unclear and conflicting guidance that could undermine organizational trust in how the IPRA addresses allegations of misconduct. Specifically, the Interior Department Manual states that IPRA responsibilities include working with the IG on internal matters the IPRA investigates, pursuing certain administrative investigations with the IG's consent and knowledge, and advising the IG of the status and results of IPRA investigations, as requested.⁶³

Additionally, IPRA guidance stipulates that once an allegation is received, the IPRA Board—composed of the IPRA, the head of Human Resources, and the Deputy Director—will assess whether the allegation should be referred to the IG or other appropriate entity, investigated by the IPRA, or closed for no further action. Further, the IPRA told us that the IG has first right of refusal to investigate all allegations of misconduct within the bureau. However, the Interior Department Manual and IPRA guidance do not specify criteria for the severity thresholds for allegations that are to be referred to the IG. As a result, the boundaries of IPRA responsibility are unclear.

Additionally, BSEE's pilot initiative did not address IPRA guidance that conflicts with the reporting chain established by the Interior Department Manual and BSEE's organization chart. Specifically, the Interior Department Manual and BSEE's organization chart indicate that the IPRA reports to the BSEE Director.⁶⁴ However, IPRA guidance also states that, for cases that are not accepted by the IG, an IPRA Board composed of the IPRA, the head of Human Resources, and the Deputy Director will assess whether the allegation should be referred, investigated by the IPRA, or closed for no further action. BSEE officials told us that, in practice, the IPRA makes determinations as stipulated by the IPRA guidance. In turn, this reporting structure—in which the IPRA Board determines how to proceed without consultation with the Director—does not align with the Interior Department Manual and BSEE organization chart. Some BSEE regional officials told us that the uncertainty of how the IPRA reports allegations to the IG as well as its reporting structure led them to question the independence of IPRA activities and expressed

⁶³The IPRA Internal Investigations Log includes internal investigations conducted by the IRU prior to the creation of the IPRA and its associated guidance. BSEE's IPRA pilot report stated that 1 of the 12 allegations (8 percent) it received during the pilot period were forwarded to the IG.

⁶⁴The IPRA's predecessor organization, the IRU, was also tasked with reporting to the BSEE Director.

concern that the IPRA could be used to retaliate against employees, which has undermined organizational trust in its activities.⁶⁵

Under the federal standards of internal control, management should design control activities to achieve objectives and respond to risks.⁶⁶ For example, agencies are to clearly document internal controls, and the documentation may appear in management directives, administrative policies, or operating manuals. While BSEE has documented its policies, they are not clear, because (1) neither the IPRA guidance nor the Interior Department Manual specifies criteria for the severity thresholds for allegations that are to be referred to the IG and (2) the IPRA guidance does not align with the Interior Department Manual and BSEE organization chart concerning the IPRA reporting chain. Moreover, BSEE's IPRA pilot initiative did not address the unclear and conflicting guidance regarding IPRA's referral criteria and reporting chain, respectively. Without assessing and amending its IPRA guidance to clarify (1) the severity threshold criteria for referring allegations and (2) the IPRA reporting chain, BSEE risks further eroding organizational trust in the IPRA to carry out its mission to promptly and credibly respond to allegations or evidence of misconduct by BSEE employees.

Conclusions

Since 2012, BSEE has begun several key strategic initiatives to improve its safety and environmental oversight. However, the bureau has made limited progress in implementing them. For example, BSEE's Environmental Stewardship Initiative encompassed two simultaneous efforts to reduce environmental risks related to U.S. offshore oil and gas operations, but the efforts were partially overlapping, had ineffective coordination and communication, and produced few results. Without establishing a mechanism for BSEE management to obtain and incorporate input from bureau personnel and any external parties, such as Argonne, that can affect the bureau's ability to achieve its objectives, BSEE's risk-based inspection program is likely to experience continued delays and implementation problems. Likewise, since 2013 BSEE has

⁶⁵Some IPRA investigations are initiated at the direction of BSEE leadership. 8 of the 34 BSEE internal investigations recorded in the IPRA Internal Investigations Log were initiated by the Director (1) or Deputy Director (7) since 2013. Of these 8, 3 were not referred to the IG, according to the IPRA Internal Investigations Log.

⁶⁶[GAO-14-704G](#).

begun several strategic initiatives to improve its internal management but has made limited progress in implementing them. Without a higher-level organization within Interior addressing leadership commitment deficiencies within BSEE, including by implementing internal management initiatives and ongoing strategic initiatives (e.g., ERM and performance measure initiatives) in a timely manner, the bureau is unlikely to succeed in implementing internal management initiatives, including its key strategic initiatives for ERM and performance measures, in a timely manner. Additionally, BSEE documentation identifies the need to enhance communication vertically and horizontally across the bureau, but it is unclear whether the bureau's employee engagement initiative will address the lack of quality information that BSEE officials told us undermines trust across the organization or set expectations for sharing accurate and timely information as called for by BSEE's Fiscal Year 2016-2019 Strategic Plan. Without expanding the scope of its employee engagement strategy to incorporate the need to communicate quality information throughout the bureau, BSEE's employee engagement initiative might not address the lack of quality information being communicated throughout the bureau that is exacerbating trust concerns. Further, BSEE's IPRA pilot initiative did not address unclear and conflicting guidance that could undermine organizational trust in how the IPRA addresses allegations of misconduct. Without assessing and amending IPRA guidance to clarify (1) severity threshold criteria for referring allegations of misconduct to the IG and (2) its reporting chain, BSEE risks further eroding organizational trust in the IPRA to carry out its mission to promptly and credibly respond to allegations or evidence of misconduct by BSEE employees.

Recommendations for Executive Action

In this report, we are making four recommendations. We recommend that the Secretary of the Interior direct the Assistant Secretary for Land and Minerals Management, who oversees BSEE, take the following two actions:

- Establish a mechanism for BSEE management to obtain and incorporate input from bureau personnel and any external parties, such as Argonne, that can affect the bureau's ability to achieve its objectives.
- Address leadership commitment deficiencies within BSEE, including by implementing internal management initiatives and ongoing

strategic initiatives (e.g., ERM and performance measure initiatives) in a timely manner.

We also recommend that the Secretary of the Interior direct the BSEE Director take the following two actions:

- To address trust concerns that exist between headquarters and the field, BSEE should expand the scope of its employee engagement strategy to incorporate the need to communicate quality information throughout the bureau.
- To increase organizational trust in IPRA activities, BSEE should assess and amend IPRA guidance to clarify (1) severity threshold criteria for referring allegations of misconduct to the IG and (2) its reporting chain.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of the Interior for review and comment. In its written comments, reproduced in appendix I, Interior neither agreed nor disagreed with our four recommendations. Interior stated that the recommendations reflect ongoing BSEE commitments and that BSEE and Interior agree with the concepts laid out in the first three recommendations. For the fourth recommendation, Interior stated that BSEE will examine the current guidance for the Integrity and Professional Responsibility Advisor. However, Interior also stated that the draft report neither fully describes the progress made within BSEE nor fully represents the current status of the programs, initiatives, and activities highlighted therein. Interior requested that we consider information that it stated provides status updates and corrections, while also laying out in more detail BSEE's continuing commitments in these areas. Interior also enclosed additional documentation. We reviewed the additional information and documentation that Interior provided and found no evidence to support the revision of any of our findings. In turn, we disagree with Interior's characterization of the progress that BSEE has made and believe that actions to implement our recommendations are necessary. Specifically:

- Regarding our recommendation that Interior develop a mechanism for BSEE management to obtain and incorporate input from bureau personnel and any external parties that can affect the bureau's ability to achieve its objectives, Interior's comments do not discuss any specific actions taken or underway to do so. Additionally, in its

comments, Interior stated that regional personnel, such as regional managers and district managers, were involved throughout the development of the risk model and the pilot testing. To support this statement, Interior provided documentation of electronic communications from BSEE headquarters to senior regional leadership informing them of certain aspects of the program and meeting documents showing that certain regional officials attended meetings regarding program development. However, instead of demonstrating that regional managers were involved in the development of the model and methodology, this documentation demonstrates that regional officials raised concerns about the model and methodology but that headquarters officials said they would not make any changes in response to these concerns. Specifically, Interior provided e-mails that indicate headquarters informed regional officials of the development of the model through the Strategic Plan Implementation Team in late 2012. However, e-mails from early 2015 indicate that regional officials were not involved in the development of the risk model or risk-based inspection program methodology in the intervening more than 2 years, because they had to request information from headquarters about the underlying basis of the model and the methodology that they were being asked to comment on. After regional officials reviewed the methodology and the model, they e-mailed headquarters and raised concerns with the model. Headquarters officials replied that they validated the model and that changing the parameters of the model would decrease its effectiveness. Therefore, the e-mails that Interior provided support what regional personnel told us—that their input was not incorporated into the model and methodology prior to the first pilot. We found that regional personnel became more involved in the risk-based inspection initiative after the first pilot exposed deficiencies in headquarters' approach. In its comments, Interior disagreed with our assessment of pilot test deficiencies and stated that BSEE expected to encounter issues while pilot testing. However, we believe that some of those issues may have been averted had BSEE included the input of regional officials earlier in the process. As described throughout the report across multiple initiatives, we have concerns about the fundamental working relationship between the region and headquarters, which are substantiated by the e-mails that Interior provided in response to our draft report. In turn, we continue to believe that Interior should develop a mechanism for BSEE management to obtain and incorporate input from bureau personnel and any external parties that can affect the bureau's ability to achieve its objectives in the next risk-based inspection pilot test, which will be

conducted by a joint headquarters-regional team in March 2017. However, as we discussed in the report, the first pilot had deficiencies in identifying high-risk offshore facilities, so the extent to which BSEE will be able to apply lessons learned is uncertain.

- Regarding our recommendation that Interior address leadership commitment deficiencies within BSEE, including implementing internal management initiatives (e.g., ERM and performance measure initiatives) in a timely manner, Interior's comments do not discuss any specific actions taken to meet the intent of our recommendation. Interior states that BSEE's implementation of ERM is on target and that BSEE has an established ERM framework, completed its risk register, has a fully developed maturity model, has aligned enterprise and strategic risks with its strategic plan and has linked program risks with appropriate strategic risk categories, in addition to other activities. Interior also stated that BSEE is on schedule to complete its first full ERM cycle in March 2017. Additionally, Interior states that ERM is a relatively new program directed by a fall 2016 Office of Management and Budget Circular regarding ERM.⁶⁷ However, while Circular No. A-123 was revised in July 2016 with new ERM implementation requirements effective for fiscal year 2017, Interior's statement is misleading because BSEE's efforts have been ongoing since 2013. Additionally, Interior provided clarifications but does not dispute our findings on its efforts to develop performance measures. Specifically, Interior states that the November 2016 completion of a fiscal year 2016 Baseline Performance Measure Report represented the first step of implementation of BSEE's performance measure program and that the bureau anticipates having an initial performance dashboard in fiscal year 2018. By considering November 2016 as the first step toward a performance measures program, Interior appears to disregard BSEE's efforts over the prior 4 years. If BSEE succeeds in fiscal year 2018, this will be the culmination of 6 years of attempting to develop performance measures to inform management decision making. Therefore, we continue to believe that Interior should address leadership commitment deficiencies within BSEE, including by implementing internal management initiatives, such as ERM and performance measures, in a timely manner rather than revising initiative start dates.

⁶⁷Office of Management and Budget Cir. No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

- Regarding our recommendation that BSEE expand the scope of its employee engagement strategy to incorporate the need to communicate quality information throughout the bureau, Interior stated that BSEE is committed to enhancing communication and collaboration among its personnel and agrees with the importance strengthening communication between headquarters and the regions. Interior asserts that, since receiving our draft report, BSEE has completed assessment and analysis of employee feedback, and developed an engagement plan. However, Interior did not provide documentary evidence of this plan or what it entails. Moreover, in our report we identified a long history of poor communication between headquarters and regional officials, leading to a widespread lack of trust across the bureau. Without providing evidence of BSEE’s activities—and in light of the bureau’s documented struggles to effectively implement organizational change—we cannot confirm that any action has been taken and continue to believe that BSEE should expand the scope of its employee engagement strategy to incorporate the need to communicate quality information throughout the bureau.
- Regarding our recommendation that BSEE assess and amend IPRA guidance to clarify (1) severity threshold criteria for referring allegations of misconduct to the IG and (2) its reporting chain, Interior stated that the creation of the IPRA directly impacts trust concerns within BSEE and that the bureau will examine current guidance for the IPRA. However, Interior stated that contrary to our draft report, the Interior Department Manual already includes severity threshold criteria for referring allegations of misconduct to the IG. We believe that the language in the Interior Department Manual, which states that “serious allegations” and “serious complaints” should be referred to the IG, does not provide the specificity needed to adequately define the boundaries of IPRA responsibility. Additionally, Interior stated that the IPRA reports to the BSEE Director, consistent with the reporting chain established in the bureau’s organizational chart and the Interior Department Manual. However, the BSEE Director told us that, in practice, the IPRA often reports to the BSEE Deputy Director rather than the Director. Moreover, our work found that the decision making process of the IPRA Board—whereby the IPRA Board determines how to respond to an investigation without consultation with the Director—does not align with the IPRA’s prescribed reporting chain. As a result, we continue to believe that BSEE should assess and amend IPRA guidance to clarify (1) severity threshold criteria for referring allegations of misconduct to the IG and (2) its reporting chain.

Interior's comments on our draft report underscore our concerns regarding deficiencies in BSEE leadership commitment and support the decision to incorporate the restructuring of offshore oil and gas oversight into our High-Risk List in February 2017. Specifically:

- In its comments, Interior highlighted BSEE's decision to contract with NAPA to evaluate the bureau—at a cost of approximately \$450,000—as an example of the bureau's commitment to maturing the organization. However, the timing, scope, and methodology cause us to question its value. Specifically, BSEE issued the contract five months after we began our review, and its scope—which includes identifying BSEE strategic and organizational initiatives and assessing their progress—mirrors our work already underway. Further, the contract stipulates that all work “shall be developed in a collaborative manner with BSEE leadership, but with a focus on document review rather than in-depth interviews with bureau personnel.” This calls into question the independence of the NAPA evaluation. Additionally, when we met with the NAPA team, they indicated that their instructions were to focus on BSEE headquarters and not conduct outreach to the bureau's operational components in the regions. In our experience working with BSEE, we have found extensive outreach to the field to be essential to understanding the operations of the bureau. As a cumulative result of these factors, it is uncertain whether BSEE's decision to engage in this evaluation will produce the organizational improvement advertised by Interior.
- Interior's written comments contain factual errors that are contradicted by the evidence we collected in our work, further heightening our concerns regarding BSEE leadership's commitment to taking the steps needed to improve the bureau. For example, Interior states that environmental risk was not a consideration in the Core Group objectives or final report. However, the Core Group's final report states that the purpose of the report was “to assist in determining current and emerging environmental risks and whether BSEE has the best mitigation strategies in place.” Likewise, Interior states that BSEE's Environmental Stewardship Collaboration Core Group and Argonne Environmental Risk Assessment were not simultaneous efforts. On the contrary, according to its final report, the Core Group convened from February 2016 to May 2016. The Statement of Work for the Argonne environmental risk assessment contract was issued in December 2015, and Argonne delivered its final report in July 2016.

Interior also provided technical comments that we incorporated into the report, as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Interior, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or ruscof@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.



Frank Rusco
Director, Natural Resources and Environment

Appendix I: Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

MAR - 7 2017

Mr. Frank Rusco
Director, Natural Resources and Environment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Rusco:

Thank you for providing the Department of the Interior (Department) the opportunity to review and comment on the draft Government Accountability Office (GAO) report, entitled *Oil and Gas Management: Stronger Leadership Commitment Needed at Interior to Improve Offshore Oversight and Internal Management* (GAO-17-293).

The Department recognizes the significant effort that GAO invested into this general management review of Bureau of Safety and Environmental Enforcement (BSEE). The draft report, however, neither fully describes the progress made within BSEE nor fully represents the current status of the programs, initiatives, and activities highlighted therein.

BSEE is a relatively new organization with a fundamental mission that incorporates functions that were underdeveloped in BSEE's predecessor agency. As such, BSEE is continually working to refine these functions and strengthen the Bureau's strategic and programmatic capacities. The Department, as well as the Bureau itself, recognizes that BSEE must continue to build its organizational maturity. This commitment to maturing the organization is reflected in BSEE's recent choice to voluntarily undertake a comprehensive evaluation of the Bureau. The National Academy of Public Administration (NAPA) is leading this evaluation, bringing its independence and expertise to identifying tangible steps that BSEE can take to enhance the organization. NAPA's report is expected to be publicly available at the end of March.

BSEE is also committed to ensuring effective information exchange across programs and regions, implementing key internal management initiatives, and building trust throughout the Bureau, as described in more detail below and in the enclosed specific comments on GAO's draft report.

The Department, therefore, believes that GAO's recommendations reflect ongoing BSEE commitments. Additionally, GAO's first three recommendations relate to initiatives and pilots that continue to evolve as the Bureau gains experience and understanding. The Department and BSEE agree with the concepts laid out in the recommendations, but believe that the Bureau is already undertaking actions in these areas. Regarding GAO's fourth recommendation, BSEE will examine the current guidance for the Integrity and Professional Responsibility Advisor. As

noted below, however, severity threshold criteria already exist for misconduct referrals to the Department's Office of Inspector General (OIG).

The Department requests that GAO consider the following clarified, updated, and new information on the main topics listed below as the report is finalized. This information provides status updates and corrections, while also laying out in more detail BSEE's continuing commitments in these areas. More detailed comments are enclosed providing further updates and clarifications.

Risk-Based Inspections (RBI)

The RBI approach is a supplement to the annual inspections program required under the Outer Continental Shelf Lands Act (OCSLA), not a replacement. Additionally, the risk model itself is not a stand-alone tool and cannot be the sole basis for determination of risk; other information also contributes to BSEE's consideration of risk factors. Development of this new program represents a significant change in the historical approach to inspection and enforcement by both the Department and industry. Regional personnel such as regional managers and district managers were involved throughout the development of the risk model and the pilot testing, as described in the more detailed comments enclosed.

We disagree with the report's assessment of pilot test deficiencies as it results in a misconception of BSEE's progress in this area. By definition, a pilot program or test is a small-scale, short-term experiment that helps an organization learn how a large-scale project might work in practice. The value of a pilot test is that it informs new approaches and process improvements that may not have been known or identified before conducting the pilot test. BSEE expected to encounter issues while pilot-testing the RBI approach and continues to benefit from the lessons learned. These lessons learned will be applied in the next RBI pilot test, which will be conducted by a joint headquarters-regional team in March 2017.

Environmental Stewardship

The Environmental Stewardship Collaboration Core Group and the Argonne Environmental Risk Assessment were not simultaneous efforts, but two separate and distinct initiatives with different objectives. The Core Group focused on enhancing environmental stewardship within BSEE, while the Argonne effort focused on assessing environmental risk on the Outer Continental Shelf. Environmental risk was not a consideration in the Core Group objectives or the final report. Further, the Core Group was briefed on Argonne efforts at the Core Group's February 9, 2016, meeting. Argonne representatives attended all three of the Core Group's in-person meetings.

Enterprise Risk Management (ERM)

ERM is a relatively new program directed by the Office of Management and Budget (OMB) in the fall of 2016 in Circular A123 to be effective for Fiscal Year (FY) 2017. By definition, ERM is an agency-wide approach that addresses the full spectrum of an organization's significant risks by considering the combined array of risks as an interrelated portfolio, rather than addressing risks only within silos. BSEE's implementation of ERM is on target. BSEE has an established ERM framework, completed its risk register, has a fully developed maturity model, has aligned enterprise and strategic risks with its strategic plan and has linked program risks with appropriate

strategic risk categories, in addition to other activities. BSEE is on schedule to complete its first full ERM cycle in March 2017.

Performance Measures

BSEE is currently implementing a performance measure program at the national level. This program goes beyond the Bureau's reporting of Government Performance and Results Act (GPRA) measures and instead seeks to provide information for management decision-making. The November 2016 completion of a FY 2016 Baseline Performance Measure Report represented the first step of implementation. BSEE is currently collecting data for existing measures identified in that report and both mid-year and end-of-year reports will be provided to leadership. Additionally, BSEE is expanding into national application of those measures initially identified as regional measures, while also establishing new measures related to permitting, Safety and Environmental Management Systems (SEMS), and other program areas. BSEE views this effort as an iterative, multi-year initiative that will lead to a performance dashboard that supports management decision-making. BSEE anticipates having an initial performance dashboard in FY18.

Employee Engagement

BSEE is committed to enhancing communication and collaboration among its personnel. The recent Employee Engagement efforts, including the 2016 Employee Engagement initiative referenced in the GAO report, are key components of this commitment. Since the issuance of the GAO draft report, the Bureau has completed assessment and analysis of employee feedback, and developed an engagement plan. In December and January, BSEE headquarters completed its first round of follow-up visits to the districts and regions. Redesign of the internal website is underway, which reflects input received on enhancing communications.

BSEE is also committed to effective communication among headquarters and the regions. The Bureau recognizes that some issues with cross-bureau communications remain and that this is an area where ongoing improvements are needed. BSEE agrees with the importance of strengthening communication channels between headquarters and regional office personnel.

Integrity and Professional Responsibility Advisor (IPRA)

The creation of the IPRA directly impacts trust concerns within the Bureau. One of the key reasons for the separation of external and internal investigative components was to effectively address factors that contributed to trust concerns among field employees and investigators. Once the internal investigations function was separated from external investigations, cooperation from regional and district offices improved for both IPRA and the external investigators. As a result, employees are able to work more effectively with BSEE's external investigators as the separation of internal investigations has built trust between field staff and external investigators.

The IPRA is an investigative tool to assist managers and supervisors. Any disciplinary actions resulting from investigations are handled in accordance with applicable rules and guidelines. Contrary to the GAO draft report, criteria exist for when IPRA cases should be referred to the Department's OIG. BSEE and the IPRA adhere to the OIG's criteria for the severity thresholds for allegations that are to be referred to the OIG. These criteria are outlined in the DOI Department Manual 355 DM 2, which lays out the OIG's policy for complaints and referrals.

Finally, the IPRA reports to the Director of BSEE, consistent with the reporting chain established in the Bureau's organizational chart and the Department Manual (119 DM 2) and carries out the Director's responsibilities, as outlined in the Departmental Manual (370 DM 752). Additionally, the IPRA briefs the Director on case status and work progress. The composition of the IPRA Board (i.e., the IPRA, Human Resources Chief and the Deputy Director or his/her designee) recognizes that the Director may ultimately be the deciding official during the disciplinary phase. Neither the creation nor the composition of this board alters this reporting chain.

Comments on particular sections of the draft report are provided in Enclosure 1. We believe consideration of these comments will paint a more accurate picture of the achievements, progress, and challenges associated with the issues reported.

If you have any questions regarding this response, please contact Linh Luu, BSEE Audit Liaison Officer, at (202) 208-4120.

Sincerely,



Richard T. Cardinale
Acting Assistant Secretary
Land and Minerals Management

Enclosure

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Frank Rusco, (202) 512-3841 or ruscof@gao.gov

Staff Acknowledgments

In addition to the individual named above, Christine Kehr, Assistant Director; Richard Burkard; Cindy Gilbert; Alison O'Neill; Matthew D. Tabbert; Barbara Timmerman; Kiki Theodoropoulos; and Daniel R. Will made significant contributions to this report.

Appendix III: Accessible Data

Agency Comment Letter

Text of Appendix I: Comments from the Department of the Interior

Page 1

MAR 7, 2017

Mr. Frank Rusco

Director, Natural Resources and Environment

U.S. Government Accountability Office 441 G Street, NW

Washington, DC 20548

Dear Mr. Rusco:

Thank you for providing the Department of the Interior (Department) the opportunity to review and comment on the draft Government

Accountability Office (GAO) report, entitled Oil and Gas Management: Stronger Leadership Commitment Needed at Interior to Improve Offshore Oversight and Internal Management (GAO-17-293).

The Department recognizes the significant effort that GAO invested into this general management review of Bureau of Safety and Environmental Enforcement (BSEE). The draft report, however, neither fully describes the progress made within BSEE nor fully represents the current status of the programs, initiatives, and activities highlighted therein.

BSEE is a relatively new organization with a fundamental mission that incorporates functions that were underdeveloped in BSEE's predecessor agency. As such, BSEE is continually working to refine these functions and strengthen the Bureau's strategic and programmatic capacities. The Department, as well as the Bureau itself, recognizes that BSEE must continue to build its organizational maturity. This commitment to maturing the organization is reflected in BSEE's recent choice to voluntarily undertake a comprehensive evaluation of the Bureau. The National Academy of Public Administration (NAPA) is leading this evaluation, bringing its independence and expertise to identifying tangible steps that BSEE can take to enhance the organization.

NAPA's report is expected to be publicly available at the end of March.

BSEE is also committed to ensuring effective information exchange across programs and regions, implementing key internal management initiatives, and building trust throughout the Bureau, as described in more detail below and in the enclosed specific comments on GAO's draft report.

The Department, therefore, believes that GAO's recommendations reflect ongoing BSEE commitments. Additionally, GAO's first three recommendations relate to initiatives and pilots that continue to evolve as the Bureau gains experience and understanding. The Department and BSEE agree with the concepts laid out in the recommendations, but believe that the Bureau is already undertaking actions in these areas. Regarding GAO's fourth recommendation, BSEE will examine the current guidance for the Integrity and Professional Responsibility Advisor. As

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noted below, however, severity threshold criteria already exist for misconduct referrals to the Department's Office of Inspector General (OIG).

The Department requests that GAO consider the following clarified, updated, and new information on the main topics listed below as the report is finalized. This information provides status updates and corrections, while also laying out in more detail BSEE's continuing commitments in these areas. More detailed comments are enclosed providing further updates and clarifications.

Risk-Based Inspections (RBI)

The RBI approach is a supplement to the annual inspections program required under the Outer Continental Shelf Lands Act (OCSLA), not a replacement. Additionally, the risk model itself is not a stand-alone tool and cannot be the sole basis for determination of risk; other information also contributes to BSEE's consideration of risk factors. Development of this new program represents a significant change in the historical approach to inspection and enforcement by both the Department and industry. Regional personnel such as regional managers and district managers were involved throughout the development of the risk model and the pilot testing, as described in the more detailed comments enclosed.

We disagree with the report's assessment of pilot test deficiencies as it results in a misconception of BSEE's progress in this area. By definition, a pilot program or test is a small-scale, short-term experiment that helps an organization learn how a large-scale project might work in practice.

The value of a pilot test is that it informs new approaches and process improvements that may not have been known or identified before conducting the pilot test. BSEE expected to encounter issues while pilot-testing the RBI approach and continues to benefit from the lessons learned.

These lessons learned will be applied in the next RBI pilot test, which will be conducted by a joint headquarters-regional team in March 2017.

Environmental Stewardship

The Environmental Stewardship Collaboration Core Group and the Argonne Environmental Risk Assessment were not simultaneous efforts, but two separate and distinct initiatives with different objectives. The Core Group focused on enhancing environmental stewardship within BSEE, while the Argonne effort focused on assessing environmental risk on the Outer Continental Shelf. Environmental risk was not a consideration in the Core Group objectives or the final report. Further, the Core Group was briefed on Argonne efforts at the Core Group's February 9, 2016, meeting. Argonne representatives attended all three of the Core Group's in-person meetings.

Enterprise Risk Management (ERM)

ERM is a relatively new program directed by the Office of Management and Budget (OMB) in the fall of 2016 in Circular A123 to be effective for Fiscal Year (FY) 2017. By definition, ERM is an agency-wide approach that addresses the full spectrum of an organization's significant risks by considering the combined array of risks as an interrelated portfolio, rather than addressing risks only within silos. BSEE's implementation of ERM is on target. BSEE has an established ERM framework, completed its risk register, has a fully developed maturity model, has aligned enterprise and strategic risks with its strategic plan and has linked program risks with appropriate

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strategic risk categories, in addition to other activities. BSEE is on schedule to complete its first full ERM cycle in March 2017.

Performance Measures

BSEE is currently implementing a performance measure program at the national level. This program goes beyond the Bureau's reporting of Government Performance and Results Act (GPRA) measures and instead seeks to provide information for management decision-making. The November 2016 completion of a FY 2016 Baseline Performance Measure Report represented the first step of implementation. BSEE is currently collecting data for existing measures identified in that report and both mid-year and end-of-year reports will be provided to leadership. Additionally, BSEE is expanding into national application of those measures initially identified as regional measures, while also establishing

new measures related to permitting, Safety and Environmental Management Systems (SEMS), and other program areas. BSEE views this effort as an iterative, multi-year initiative that will lead to a performance dashboard that supports management decision-making. BSEE anticipates having an initial performance dashboard in FY18.

Employee Engagement

BSEE is committed to enhancing communication and collaboration among its personnel. The recent Employee Engagement efforts, including the 2016 Employee Engagement initiative referenced in the GAO report, are key components of this commitment. Since the issuance of the GAO draft report, the Bureau has completed assessment and analysis of employee feedback, and developed an engagement plan. In December and January, BSEE headquarters completed its first round of follow-up visits to the districts and regions. Redesign of the internal website is underway, which reflects input received on enhancing communications.

BSEE is also committed to effective communication among headquarters and the regions. The Bureau recognizes that some issues with cross-bureau communications remain and that this is an area where ongoing improvements are needed. BSEE agrees with the importance of strengthening communication channels between headquarters and regional office personnel.

Integrity and Professional Responsibility Advisor (IPRA)

The creation of the IPRA directly impacts trust concerns within the Bureau. One of the key reasons for the separation of external and internal investigative components was to effectively address factors that contributed to trust concerns among field employees and investigators. Once the internal investigations function was separated from external investigations, cooperation from regional and district offices improved for both IPRA and the external investigators. As a result, employees are able to work more effectively with BSEE's external investigators as the separation of internal investigations has built trust between field staff and external investigators.

The IPRA is an investigative tool to assist managers and supervisors. Any disciplinary actions resulting from investigations are handled in accordance with applicable rules and guidelines.

Contrary to the GAO draft report, criteria exist for when IPRA cases should be referred to the Department's OIG. BSEE and the IPRA adhere to the OIG's criteria for the severity thresholds for allegations that are to be referred to the OIG. These criteria are outlined in the DOI Department Manual 355 DM 2, which lays out the OIG's policy for complaints and referrals

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Finally, the IPRA reports to the Director of BSEE, consistent with the reporting chain established in the Bureau's organizational chart and the Department Manual (119 DM 2) and carries out the Director's responsibilities, as outlined in the Departmental Manual (370 DM 752).

Additionally, the IPRA briefs the Director on case status and work progress. The composition of the IPRA Board (i.e., the IPRA, Human Resources Chief and the Deputy Director or his/her designee) recognizes that the Director may ultimately be the deciding official during the disciplinary phase. Neither the creation nor the composition of this board alters this reporting chain.

Comments on particular sections of the draft report are provided in Enclosure 1. We believe consideration of these comments will paint a more accurate picture of the achievements, progress, and challenges associated with the issues reported.

If you have any questions regarding this response, please contact Linh Luu, BSEE Audit Liaison Officer, at (202) 208-4120.

Sincerely,

Richard T. Cardinale Acting Assistant Secretary

Land and Minerals Management

Enclosure

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