



**BUDGET** The United States  
Department of the Interior  
**JUSTIFICATIONS**

and Performance Information  
Fiscal Year 2017

**OFFICE OF  
INSPECTOR GENERAL**

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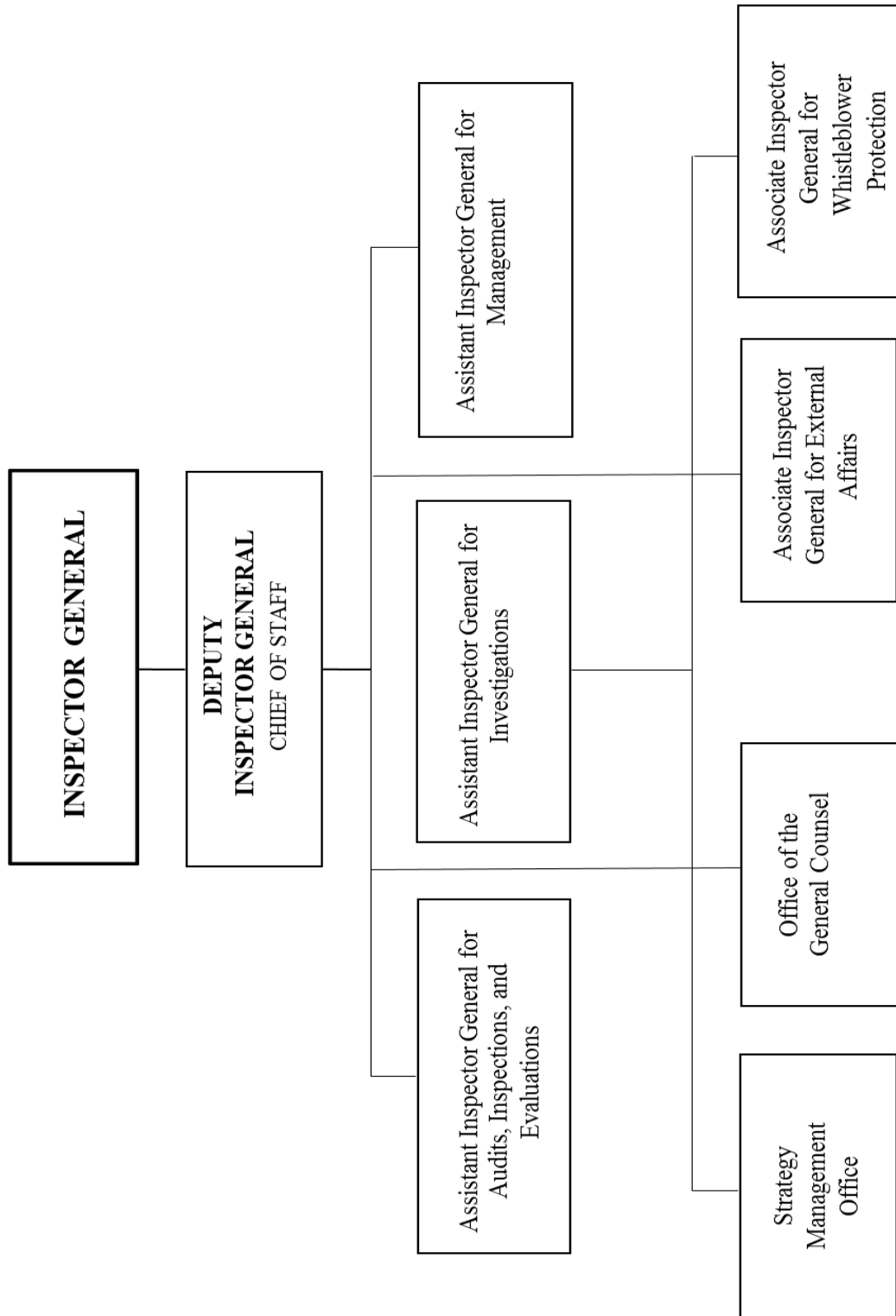
**DEPARTMENT OF THE INTERIOR  
OFFICE OF INSPECTOR GENERAL**

**FISCAL YEAR 2017 PRESIDENT’S BUDGET REQUEST**

**TABLE OF CONTENTS**

ORGANIZATION CHART..... 1  
EXECUTIVE SUMMARY ..... 2  
BUDGET AT A GLANCE..... 5  
SUMMARY OF REQUIREMENTS TABLE..... 6  
FIXED COSTS AND RELATED CHANGES TABLE..... 7  
APPROPRIATION LANGUAGE CITATION ..... 8  
JUSTIFICATION OF PROGRAM CHANGES..... 9  
MAX TABLES – BUDGET SCHEDULES.....18  
EMPLOYEE COUNT BY GRADE .....20  
PROGRAM PERFORMANCE .....21  
MANDATORY ACTIVITIES.....24  
THE INSPECTOR GENERAL REFORM ACT AND SECTION 403 .....25







**Total 2017 Budget Request***(Dollars in Thousands)*

<b>Budget Authority</b>	<b>2015 Actual</b>	<b>2016 Enacted</b>	<b>2017 Request</b>
Appropriation	50,047	50,047	55,911
<b>Total Appropriation</b>	<b>50,047</b>	<b>50,047</b>	<b>55,911</b>
<i>Transfer</i>	+400	0	0
<b>TOTAL Appropriation w/transfers</b>	<b>50,447</b>	<b>50,047</b>	<b>55,911</b>
<i>FTEs</i>	263	263	283

The 2017 budget request for the Office of Inspector General is \$55,911,000, an increase of \$5,864,000 from the 2016 enacted level. The 2017 request includes program increases of \$5,725,000 and +20 FTE from the 2016 enacted level. This request includes \$139,000 in fully funded fixed costs.

The proposed 2017 budget request for OIG identifies issues of critical importance to the Department, Congress, and the general public. OIG's Key Focus Areas and investigative priorities are informed by the Department's strategic plan, budget, and top management challenges. These priority areas guide us as we consider how to strategically deploy limited resources and ensure stakeholders that we are being the best stewards possible providing oversight of DOI programs and operations. OIG audit and investigative services promote effective and efficient resource stewardship over billions of dollars in annual DOI investments. Our 2017 request directly supports Secretarial initiatives, including Powering our Future and Responsible Use of Resources, Strengthening Tribal Nations, and Building a 21<sup>st</sup> Century Department of the Interior.

The Office of Audits, Inspections, and Evaluations (AIE) program increases total \$3,195,000 and +12 FTE to build staffing capacity and strengthen offshore energy oversight, Indian Country audits, and cybersecurity audits. Requested AIE funds include \$1,895,000 and +6 FTE for staffing resources to conduct highly specialized oversight of oil and gas activities in the Gulf Region, and to establish a strategic presence in Louisiana to focus on DOI's Outer Continental Shelf (OCS) activities. The Office of Natural Resource Revenue (ONRR) annually collects and disburses nearly \$10 billion in revenues, and estimates that over half of this revenue is generated from offshore energy operations. A typical organization loses approximately 5 percent of all revenue to fraud according to a 2014 Global Fraud Study by the Association of Certified Fraud Examiners. For DOI, which collects billions in revenue, hundreds of millions of dollars remain potentially at risk. Increasing OIG staff will improve oversight vigilance.

The AIE request also includes program increases of \$700,000 and +4 FTE for Indian Country audits, and \$600,000 and +2 FTE for cybersecurity audits. DOI awarded over \$1.6 billion in new contracts and grants for Indian Country in 2014. Previous Indian Country OIG audits have identified severe deficiencies and material weaknesses resulting in auditors giving negative modified opinions of some Tribes' capacity to effectively manage and spend taxpayer funds. Deploying additional OIG staff to conduct contract acquisition, and energy audits targeting billions of dollars spent on Indian Country education,

construction, and other programs, as well as energy development revenue, could result in the recovery and or prevention of DOI losing millions of dollars. OIG oversight efforts will directly help strengthen Tribal self-governance and self-determination. Our request includes \$600,000 and +2 information technology auditors to conduct cybersecurity audits. These 2 FTE will perform technical vulnerability assessments and network penetration tests of DOI IT assets worth more than 1 billion dollars.

The Office of Investigations (OI) requests program increases of \$1,530,000 and +5 FTE for offshore energy oversight. In a series of recent reviews, the Government Accountability Office (GAO) observed DOI does not have reasonable assurance it is collecting its share of billions of dollars in royalties for oil and natural gas extracted from Federal waters, including substantial activities operating in the OCS. The complexity of offshore exploration and production activities, and the significant revenues generated for DOI, place energy programs and energy management in the OCS vulnerable to waste, fraud, and mismanagement. OCS energy activities potentially can jeopardize public safety, environmental integrity, and increase the financial burden or risk to the American public. Our 2017 request provides for a small staffing increase, strategically deployed in the Gulf Region to strengthen oversight of oil and gas activities, and to directly support DOI's strategic plan of emphasizing safe and responsible energy development, improving transparency, streamlining and strengthening DOI energy operations.

The OI request also includes \$1,000,000 and +3 FTE for Indian Country Program Fraud. DOI assists Indian Nations in developing capacity and infrastructure on reservations to enhance their quality of life. Unfortunately with the increased opportunities for economic development, the risk for fraud, bribery, embezzlement, and theft continues to be of great concern. This request supports OI efforts to strategically extend our support and reach to a large geographic area and to address the high number of complaints regarding government fraud and waste in Indian Country. In 2015, OI received over 800 complaints nationwide, with a high percentage involving Indian Country issues. Providing +3 FTEs will enable OIG to investigate more than 10 new cases each year, and potentially save millions. The additional FTE assigned to Indian Country will fully understand Tribal issues, Tribal support needs and assistance contracts, and will coordinate with the FBI and U.S. Attorney Intelligence Community task forces to allow for an innovative and organized approach to address Indian Country criminal activity.

### **Management Effectiveness**

OIG spent the last several years implementing plans to reduce costs through downsizing, consolidating, and closing offices. These efforts have been undertaken while continuing to recognize and invest in our greatest asset – a highly skilled and engaged workforce. Highlights of our 2015 organizational assessment include reducing OIG's physical footprint by 11 percent in Reston and Herndon, VA, locations by consolidating spaces, achieving LEED certification, incorporating improved conference, video, and teleworking improvements, increasing our efficiency, saving travel dollars, and consolidating training venues. Our 2017 request includes establishment of a small office in Louisiana requiring approximately 3,000 square feet. In accordance with DOI's "Freeze the Footprint" policy, OIG offset this new space requirement with decreases of nearly 19,000 square feet from recent office closures, consolidations, and footprint reductions upon lease expirations.



Given the small size of our organization, OIG takes a strategic focus on targeting our highest priority areas to ensure coverage of focus areas with potential for fraud or mismanagement, dollar value, public interest, and other factors. In 2015, we transitioned our investigative staff working on energy cases to a specialized position description, and looking forward, this effort positions us well for building our energy investigative capacity by formalizing the complex knowledge, skills, and expertise required for energy investigations.

Several other noteworthy internal goals were achieved in 2015. OIG trained all employees in DiSC® model of understanding communication styles; implemented best practices to save travel dollars, and formalized two key internal process programs, including an After Action Review and Facilitators program. These internal initiatives will have enduring results on our work as we continually assess and evaluate mission services delivered to our stakeholders. OIG ranked high on a shortlist for the 2015 Melcrum Award in Expert Leadership and Manager Communications. Melcrum works with leaders and teams around the globe to build skills and know-how in internal communication. OIG consistently scores in the top quartile (on the Partnership for Public Service's analysis) of data from the annual Federal Employee Viewpoint Survey on topics such as effective leadership, work-life balance, and strategic management. In FY 2015, OIG ranked 15th on the Partnership's "Best Places to Work" list of agency subcomponents and 4th on its list of agencies with an oversight mission.

### **Supporting the President's Management Agenda**

The 2017 budget request for OIG supports the President's Management Agenda by proposing increased oversight funding that promotes more effective and efficient spending throughout DOI. The Committee on Oversight and Government Reform Chairman, Jason Chaffetz has stated "Inspectors General serve the American taxpayers as the first line of defense against waste, fraud, and abuse by government agencies." Ranking Member Elijah Cummings stated "Our IGs do a phenomenal job on behalf of the American people. They make our government work more effective and efficient and they save billions in taxpayer dollars." From FY 2013 through FY 2015, DOI OIG recovered nearly \$4.6 billion dollars. During this same period, OIG received approximately \$148 million in appropriated dollars, recouping 30 times more than that for the Government. DOI OIG saved the Government many times more than it costs to operate. While a large settlement with BP greatly impacted that figure, the Deepwater Horizon incident demonstrates the vital role we play for a Department that by some calculations, is second only to the IRS in revenue generation. According to an independent study by the Brookings Institution published in April 2015, we return \$20 for every taxpayer dollar spent, based on a 5-year average.



**Budget at a Glance****Office of the Inspector General Budget At A Glance**

(Dollars in Thousands)

	<b>2015 Actual</b>	<b>2016 Enacted</b>	<b>Fixed Costs (+/-)</b>	<b>Internal Transfers (+/-)</b>	<b>Program Changes (+/-)</b>	<b>2017 Request</b>
<b>Appropriation: Salaries and Expenses</b>						
Audits, Inspections and Evaluations	18,640	18,640	0	0	+3,195	21,835
Investigations	18,898	18,898	0	0	+2,530	21,428
Mission Support	12,509	12,509	+139	0	0	12,648
<b>TOTAL, Salaries and Expenses</b>	<b>50,047</b>	<b>50,047</b>	<b>+139</b>	<b>0</b>	<b>+5,725</b>	<b>55,911</b>
<i>Transfers</i>	<i>400</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>TOTAL, Account w/transfers</b>	<b>50,447</b>	<b>50,047</b>	<b>+139</b>	<b>0</b>	<b>+5,725</b>	<b>55,911</b>

The OIG 2017 request includes a net increase of \$5,864,000 from the 2016 enacted level for the following changes:

- Offshore Energy Oversight Audits \$1,895,000
- Offshore Energy Investigations \$1,530,000
- Indian Country Program Fraud \$1,000,000
- Indian Country Audits \$700,000
- Cybersecurity Audits \$600,000
- Fixed Costs \$139,000

**Summary of Requirements for Office of Inspector General**  
(Dollars in Thousands)

2015 Actual	2016 Enacted		Fixed Costs & Related (+/-)	Internal Transfers (+/-)	Program Changes (+/-)		2017 Request		Change from 2016 Enacted (+/-)	
	Total FTE	Amount			FTE	Amount	FTE	Amount	FTE	Amount
<b>Salaries and Expenses</b>										
Audits, Inspections and Evaluations	18,640	18,640	0	0	+12	+3,195	110	21,835	+12	+3,195
Investigations	18,898	18,898	0	0	+8	+2,530	98	21,428	+8	+2,530
Mission Support	12,509	12,509	+139	0	0	0	75	12,648	0	+139
<b>TOTAL, ACCOUNT</b>	<b>50,047</b>	<b>50,047</b>	<b>+139</b>	<b>+0</b>	<b>+20</b>	<b>+5,725</b>	<b>283</b>	<b>55,911</b>	<b>+20</b>	<b>5,864</b>
<i>Transfers</i>	400	0	0	0	0	0	0	0	0	0
<b>TOTAL, ACCOUNT W/Transfers</b>	<b>50,447</b>	<b>50,047</b>	<b>+139</b>	<b>0</b>	<b>+20</b>	<b>+5,725</b>	<b>283</b>	<b>55,911</b>	<b>+20</b>	<b>5,864</b>

**Office of Inspector General**  
**Justification of Fixed Costs and Internal Realignments**  
*(Dollars In Thousands)*

<b>Fixed Cost Changes and Projections</b>	<b>2016 Total or Change</b>	<b>2016 to 2017 Change</b>
<b>Change in Number of Paid Days</b> This column reflects changes in pay associated with the change in the number of paid days between the 2016 and 2017.	+151	-319
<b>Pay Raise</b> The change reflects the salary impact of the 1.6% programmed pay raise increases as provided in the June, 2015 Circular A-11.	+498	+628
<b>Departmental Working Capital Fund</b> The change reflects expected changes in the charges for centrally billed Department services and other services through the Working Capital Fund. These charges are detailed in the Budget Justification for Department Management.	-309	+62
<b>Worker's Compensation Payments</b> The amounts reflect projected changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the BY will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.	+89	-61
<b>Unemployment Compensation Payments</b> The amounts reflect projected changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.	+0	-1
<b>Rental Payments</b> The amounts reflect changes in the costs payable to General Services Administration (GSA) and others for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to Department of Homeland Security (DHS). Costs of mandatory office relocations, i.e. relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.	-22	-170

**APPROPRIATIONS LANGUAGE CITATION**

**Office of Inspector General**

For necessary expenses of the Office of Inspector General, 5 U.S.C. Appendix 3.

5 U.S.C. Appendix 3 provides for the establishment of the Office of Inspector General as an independent and objective unit within the Department of the Interior to conduct and supervise audits and investigations related to Departmental programs and operations.

**Proposed appropriations language changes:**

For necessary expenses of the Office of Inspector General, [\$50,047,000] \$55,911,000.  
(*Department of the Interior, Environment, and Related Agencies Appropriations Act, 2016.*)

**JUSTIFICATION OF PROGRAM CHANGES****Office of Audits, Inspections, and Evaluations (AIE)**

	2015 Actual	2016 Enacted	Fixed Costs (+/-)	Internal Transfers (+/-)	Program Changes (+/-)	2017 Request	Change from 2016 Enacted (+/-)
<b>Audits, Inspections, and Evaluations</b>	<b>18,640</b>	<b>18,640</b>	<b>+0</b>	<b>0</b>	<b>+3,195</b>	<b>21,835</b>	<b>+3,195</b>
<i>FTE</i>	98	98	0	0	0	110	+12

**Summary of 2017 Program Changes for AIE**

<b>Request Component</b>	<b>(\$000)</b>	<b>FTE</b>
<u>Program Changes:</u>		
Offshore Energy Oversight	+1,895	+6
Indian Country Audits	+700	+4
Cybersecurity Audits	+600	+2
<b>TOTAL Program Changes</b>	<b>+3,195</b>	<b>+12</b>

**Justification of Program Change:**

The 2017 budget request for the Office of Audits, Inspections, and Evaluations is \$21,835,000 and 110 FTE, a program change of +\$3,195,000 and +12 FTE from the 2016 enacted level.

The Office of Audits, Inspections, and Evaluations (AIE) conducts independent audits and evaluations, which measure DOI programs and operations against best practices and objective criteria to determine if the programs and operations are effective and efficient, achieve desired results, and operate in accordance with laws and regulations. AIE prioritizes reviews of DOI programs and operations identified as high risk for waste, fraud, abuse, and mismanagement. In FY 2015, OIG AIE review of DOI programs and activities identified approximately \$13.8 million in questioned and unsupported costs, with an additional \$32.2 million in recommendations that funds be put to better use.

**Offshore Energy Oversight (+\$1,895,000/+6 FTE)**

The Office of Audits, Inspections, and Evaluations (AIE) requests \$1,895,000 and +6 FTE for increased Offshore Energy Oversight.

OIG prioritizes its audits, inspections, and evaluations on bureaus whose missions contain components of Outer Continental Shelf (OCS) energy management. Offshore, Federal waters hold an estimated 90 billion barrels of oil and 405 trillion cubic feet of natural gas. Significant DOI activities in the OCS warrant the strategic establishment of an OIG energy office near the Gulf of Mexico.

DOI, and in particular BOEM and BSEE, direct substantial energy-related activities in the OCS. Soon after Deepwater Horizon, OIG's energy units conducted a broad comprehensive review of the Department's management of offshore OCS oil and gas resource management and issued a report with 64 recommendations, many of which remain unimplemented. During FY 2015, BSEE underwent an organizational realignment and started developing new policies and procedures for a National Program Manager Initiative. OIG is monitoring the implementation of this new initiative and will be conducting several audits and evaluations of BSEE starting in FY 2017 to assess the results of BSEE's realignment.

In June 2013, President Obama laid out a comprehensive Climate Action Plan that challenged DOI to permit 20 gigawatts of clean energy on public lands by 2020. Offshore wind development could play a critical role in achieving this goal with BOEM issuing seven commercial wind energy leases on the OCS to date. BOEM also executed the nation's first right-of-way grant for a renewable energy transmission system offshore Rhode Island in 2014.

Revenue from energy production on DOI-managed lands and waters is one of the largest nontax sources of Federal government revenue. Annually, ONRR disburses approximately \$10 billion in revenues. These revenues are collected from over 56,000 leases on Federal land and the OCS. ONRR estimated over half of that revenue is generated from offshore operations. With wind projects nearing completion, BSEE is preparing to conduct critical inspection and enforcement activities. BOEM lists over 5,000 active mineral leases and over 2,300 platforms located offshore in waters under Federal jurisdiction. Of those 5,000 leases, 600 are located in Alaska, and in FY 2015 ONRR reported over \$40 million was generated from royalties and other revenue in Alaska.

Many offshore operations occur in the Gulf of Mexico where AIE would position highly-skilled staff in the proposed new Louisiana office to audit offshore energy-related issues. This request supports staffing resources as well as necessary travel, training, and support costs to establish and operate a small Louisiana office. Strategically positioned oversight services provided in the same proximity of DOI program offices in the Gulf Region could potentially yield millions of dollars in savings for the American people.

### **Indian Country Audits (+\$700,000/+4 FTE)**

AIE requests \$700,000 and +4 FTE for increased audits of Indian Country programs.

OIG consistently lists Responsibility to American Indians as a DOI Top Management Challenge. DOI works with 567 federally recognized Tribes and funds Indian Country programs that provide support for education, agriculture, rangeland management, emergency management, tribal justice systems, social services, and much more. In FY 2016, DOI proposed a \$1.0 billion investment to transform Indian schools and education and significant increases across a wide range of Federal programs that serve Tribes. OIG audits findings of Indian Country Tribes are traditionally much worse than DOI's other recipients. Single audits and OIG audits have identified significant problems, including inadequate employee background checks, improper payments to related parties, and general financial mismanagement, including lack of segregation of duties resulting in stolen funds, unallowable commingling of federal funds, flawed reporting systems, and long-delayed audits.



Many Indian Country audits are plagued with a multitude of severe deficiencies and material weaknesses that result in auditors giving negative modified opinions of some Tribes' capacity to effectively manage and spend federal funds. A negative audit opinion can mean financial statements are either: (1) non-conforming with accounting requirements; (2) materially incorrect, unreliable, and inaccurate; and or (3) have insufficient supporting documentation for the auditor to form an opinion. The following table highlights how much more deficient tribal audits are than the rest of the federal community for a one year period.

<b>Auditee</b>	<b>Number of Single Audits</b>	<b>% of Negative Modified Opinions</b>	<b>% of Material Weaknesses</b>
Other federal entities	48,643	6.10%	6.50%
Tribes	640	22.80%	23.90%

Human Rights Watch research and review of tribes Single Audits found that at least \$25 million of Tribal Government expenditures from 2007 to 2014 remain unexplained. Almost that entire amount had been earmarked for programs meant to provide essential services, alleviate poverty, or promote much needed economic development.

In addition, many Tribes, such as Lower Brule have perennial audit findings that recur year after year without Tribal and DOI action. For example, for many years the Lower Brule tribe ended up with the repeat finding that it has commingled Federal funds with Tribal funds and used the funds for unallowable purposes. A recent audit found Lower Brule had commingled advanced federal funds from seven programs, including three different agencies, Interior, Transportation, and Health and Human Services, and used these funds inappropriately. The reality is there are more tribes like Lower Brule, some with worse financial mismanagement and "unexplainable theft." The central problem is accountability. Surprisingly, Lower Brule is not even considered high risk and continues to receive advanced funds without having to provide supporting documentation.

DOI will spend well over \$100 million during FY 2016 in construction and facilities management for Indian Affairs programs. More than half of this money supports approximately 180 Indian schools. Nonetheless, as it is well recognized by Congress, DOI personnel, school officials, and the media — Indian schools are, broadly, in deplorable condition.

AIE efforts are aimed at providing "ground-truth" information on existing conditions and pushing for programmatic improvements in DOI's facilities investment decisions and the bureaus' and tribes' ongoing management. The problems are substantial and require long-term attention to assure improvements are not only implemented, but sustained. Many Indian students served by BIE come from remotely located, rural communities characterized by poorly developed local economies, high rates of unemployment, and low incomes. Many of the communities served by BIE schools exhibit above-average rates of crime, households where English is a second language, and below-average literacy rates. These problems will

not be solved “overnight” and require continuing vigilance from DOI, along with continuing assurance from OIG that these DOI programs and resources are effectively managed.

Adding auditors to specifically target the billions of dollars spent on Indian Country programs could result in recovery and or prevention of the loss of millions in Federal dollars and help to ensure taxpayer funds are used for intended purposes and by appropriate recipients.

### **Cybersecurity Audits (+\$600,000/+2 FTE)**

AIE requests \$600,000 and +2 FTE for cybersecurity audits.

Increased threats in recent years caused the shutdown or failure of websites and systems and are expected to increase in future years. In May 2015, the Department of Homeland Security issued a Binding Operational Directive that requires agencies to mitigate critical IT security vulnerabilities for internet facing systems. DOI relies on complex, interconnected information systems to carry out its daily operations and support programs that protect and manage our Nation’s natural resources and cultural heritage; provide scientific and other information to the public about those resources; and meet DOI’s responsibilities to American Indians, Alaska Natives, and affiliated Insular Areas.

The President and Congress indicated that the cyber threat poses one of the most serious economic and national security challenges we face as a nation and that America's economic prosperity in the 21st century will depend on cybersecurity. Over the past few years at least 19 incidents reinforced concerns about the vulnerability of DOI’s specific systems to attack. These security incidents have resulted in the loss of sensitive data and disruption of bureau operations. GAO identified management of IT acquisitions and operations, as well as the security of cyber-critical infrastructure and federal information systems, as a high-risk areas requiring oversight to strengthen program effectiveness and address security vulnerabilities.

Since FY 2013, OIG determined that effectively managing and securing the Department’s IT programs and operations is one of the top management and performance challenges facing DOI. As part of our audit work, OIG found that the Department does not have an IT security program that fully meets Federal requirements for vulnerability, threat, and incident response as recommended by the National Institute of Standards and Technology. Moreover, we found DOI’s efforts to implement an IT security continuous monitoring capability and to protect key IT assets from Internet-based cyber-attacks have not been fully realized. A recent review of the Department’s adoption of cloud computing technologies found that weaknesses in DOI’s IT governance and risk management practices impeded the Department from achieving the benefits of cloud computing and potentially put Bureau systems and data stored in the cloud at risk of unauthorized access, disclosure and modification.

This AIE request funds additional staff to conduct audits, evaluations, and inspections of the DOI’s diverse IT programs and to perform technical vulnerability assessments and network penetration tests of its computer networks and information systems. In order to perform a full range of vulnerability assessments and penetration tests to fully assess the Department's cybersecurity posture, Information Technology Audits (ITA) requires +2 FTE, hardware, and software - specifically, enhanced hardware, a

computer server with a high number of graphical processors to support numerical intensive operations needed for cracking passwords, and specialized notebook computers for conducting external and internal technical tests. Included in the \$600,000, ITA requests \$150,000 for one-time costs to upgrade its Lab to perform internal and external vulnerability assessments and penetration tests, and recurring annual costs of \$100,000 for software licenses.

The additional +2 FTE for Cybersecurity will perform major audits to assess DOI's:

- Progress in meeting requirements of the President's Cybersecurity Cross Agency Priority Goal;
- Security of IT assets that operate cyber critical infrastructure;
- Effectiveness of the IT security program by conducting extensive technical vulnerability assessments and penetrations tests of information systems and computer networks;
- Effectiveness of implementation of an Information Security Continuous Monitoring Program;
- Progress meeting the Federal Information Technology Acquisition Reform Act;
- Security of the portfolio of mobile computing devices;
- Security and privacy of bureau information managed by public cloud-computing providers;
- Capability to detect, respond to, and recover from IT security incidents; and
- Governance model for its IT assets and programs to see if it promotes effective IT security and the efficient use of public funds.



**Office of Investigations (OI)**

	<b>2015 Actual</b>	<b>2016 Enacted</b>	<b>Fixed Costs (+/-)</b>	<b>Internal Transfers (+/-)</b>	<b>Program Changes (+/-)</b>	<b>2017 Request</b>	<b>Change from 2016 Enacted (+/-)</b>
<b>Investigations</b>	<b>18,898</b>	<b>18,898</b>	<b>+0</b>	<b>0</b>	<b>+2,530</b>	<b>21,428</b>	<b>+2,530</b>
<i>FTE</i>	<i>90</i>	<i>90</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>98</i>	<i>+8</i>

**Summary of 2017 Program Changes for OI**

<b>Request Component</b>	<b>(\$000)</b>	<b>FTE</b>
<u>Program Changes:</u>		
Offshore Energy Oversight	+1,530	+5
Indian Country Program Fraud	+1,000	+3
<b>TOTAL Program Changes</b>	<b>+2,530</b>	<b>+8</b>

**Justification of Program Change:**

The 2017 budget request for the Office of Investigations is \$21,428,000 and 98 FTE, a program change of +\$2,530,000 and +8 FTE from the 2016 enacted level.

**Offshore Energy Oversight (+\$1,530,000/+5 FTE)**

The Office of Investigations (OI) requests \$1,530,000 and +5 FTE for Energy Investigations Unit (EIU) staff and associated training, law enforcement equipment, and investigative travel for offshore energy oversight in the Gulf Region and Alaska.

DOI plays a central role in powering America's future through development of domestic energy resources and managing resources that supply 23 percent of the Nation's energy. In 2015 OIG identified energy management as a top management and performance challenge facing DOI, reflecting continuing vulnerabilities and emerging management issues. The Brookings Institution reported in FY 2015 that DOI OIG returned \$20 for every taxpayer spent, based on a 5-year average.

The U.S. Government Accountability Office (GAO) lists energy management in its 2015 list of Federal programs and operations at high risk for waste, fraud, abuse, and mismanagement. This higher risk was justified due to the breakup of the former Minerals Management Service in 2010 into three separate bureaus: responsible for royalty collection (ONRR), OCS energy resource leasing (BOEM), and OCS inspection and enforcement (BSEE). Since 2008, OIG has initiated over 100 energy or mineral-related investigations, and monetary benefits (potential cost savings, settlements, and penalties) from OIG's energy work total approximately \$88 million.

OIG's Energy Investigations Unit (EIU) actively pursues allegations of fraud, waste, and abuse impacting DOI's energy and royalty programs. Energy investigations require specialized and technical operations knowledge and an understanding of multiple disciplines including accounting, engineering, and regulatory compliance. EIU's work spans the entire energy cycle from energy exploration and production to valuation and sales, and ultimately to reclamation activities necessary to restore impacted areas. As a specialized OIG investigative unit, EIU enhances DOI's capability to oversee and manage vast energy and mineral programs, and to improve DOI's ability to provide responsible fiscal and environmental stewardship. EIU's efforts are targeted to detect, prevent, and resolve actions resulting in financial and environmental harm, risks to public safety, environmental and climate risks, and other forms of harm or risk to DOI's billion dollar energy and mineral operations.

Recently, an EIU investigation resulted in 2015 civil settlements for improper company trespass of Federal mineral assets - highlighting the continuing need to monitor federally owned mineral interests. Also in 2015 investigations, OIG found that employees of two separate oil companies falsified reports on the functionality of blowout preventers - a faulty blowout preventer was the culprit in the *Deepwater Horizon* spill. Also, last year, for the first time, OIG recommended to Suspending and Debaring Officials that DOI implement an administrative agreement with a renewable energy company. This agreement allows the company to keep doing business, but makes it accountable for addressing the Government's management concerns.

Analysis of OIG EIU recoveries from settlements, fines, penalties, and damages, reveals a robust return on investment per staff member. An increased investment in EIU will enhance the OIG's ability to protect our nation's natural resources and environment, and enhance DOI's ability to recover the full value of royalties owed for the consumption of these precious and often non-renewable resources on behalf of the American Public.

### **Indian Country Program Fraud (+\$1,000,000/+3 FTE)**

The Office of Investigations (OI) requests \$1,000,000 and +3 FTE for Indian Country Program Fraud.

This requested funding will enable OIG to investigate and complete more Indian Country cases, potentially saving millions of taxpayer dollars. Adding additional staff will enable OIG to expand its support area, servicing a large geographic area covering the mid-West and Western areas of the United States, and to specifically address increasing OIG complaints of fraud and waste in Indian Country.

Through the Bureau of Indian Affairs (BIA) and the Bureau of Indian Education (BIE), DOI has trust responsibilities for 116 million surface and subsurface acres of land belonging to Indian Tribes and individuals, and provides critical education services to more than 40,000 Indian children in 183 schools and dormitories. Our request addresses the hundreds of millions of dollars in grants and financial assistance provided throughout Indian Country that are considered high risk potential for fraud. With DOI's strengthened focus and priority on Indian Education, and the current number of thefts being reported from Indian Schools, it is strategically prudent to deploy additional highly-skilled OIG fraud investigators to this area. OIG work has revealed that internal controls to safeguard grants are often not

present and recurring thefts require an increased OIG presence in Indian Country to serve both as a fraud deterrent and to provide consequences for criminal theft and mismanagement of Federal funds.

The lack of capacity in Indian Country creates an environment ripe for fraud and misuse of Federal dollars. BIA and BIE programs distribute hundreds of millions of dollars to Indian Country for construction projects, service contracts, grants, and 638 contracts. OIG investigations have regularly revealed that DOI-funded programs and operations in Indian Country are susceptible to fraud, mismanagement, nepotism, hiring of unqualified employees, failure to follow procurement policies and procedures, lack of internal controls, and fear of reprisal for reporting wrongdoing.

OIG investigations in Indian Country have led to indictments for bribery, fraud, and other charges. For example, in recent OIG Semiannual Reports to Congress, we have reported on investigations of allegations involving officials of the Chippewa Cree Tribe of Indians and several tribal contractors, that resulted in indictments and convictions for multiple counts of bribery, theft of tribal funds, conspiracy to submit false claims, money laundering; and wire, bank, and Federal income tax fraud. In 2015 we reported on a joint investigation with the FBI into the Alaskan tribal organization Healy Lake Village after receiving allegations of misappropriated Federal funds provided to the Village by BIA. Our investigation uncovered embezzlement, resulting in the Tribal First Chief resigning, being indicted and pleading guilty.

Our October 2015 Semiannual Report to Congress highlighted a joint investigation of the Indian Pueblo Federal Development Corporation with the Internal Revenue Service after receiving allegations that the Corporation embezzled money and committed other crimes regarding the development of land that had once been the site of the Albuquerque Indian School. Our investigation determined that the Corporation's former President and Chief Executive Officer, as well as the former Governor of Santa Ana Pueblo, and a Santa Fe Real Estate Consultant, conspired to embezzle more than \$3.5 million from the Corporation by submitting fraudulently inflated invoices. Our investigation led to indictments, guilty pleas, and prison sentences.

Strengthening Tribal Nations and meeting the United States' trust, treaty, and other responsibilities to American Indians and Alaska Natives is a key DOI strategic goal and priority. Unfortunately with increased emphasis on Indian Country economic development, the risk for fraud, bribery, embezzlement, and theft continues to be of great concern. Dedicating additional OIG staff to concentrate on Indian Country Fraud will potentially provide millions of dollars in financial restitutions to the Federal government.





**Mission Support**

	<b>2015 Actual</b>	<b>2016 Enacted</b>	<b>Fixed Costs (+/-)</b>	<b>Internal Transfers (+/-)</b>	<b>Program Changes (+/-)</b>	<b>2017 Request</b>	<b>Change from 2016 Enacted (+/-)</b>
<b>Mission Support</b>	<b>12,509</b>	<b>12,509</b>	<b>+139</b>	<b>0</b>	<b>+0</b>	<b>12,648</b>	<b>+139</b>
<i>FTE</i>	<i>75</i>	<i>75</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>75</i>	<i>+0</i>

**Summary of 2017 Program Changes for Mission Support**

<b>Request Component</b>	<b>(\$000)</b>	<b>FTE</b>
Program Changes:	+0	+0
<b>TOTAL Program Changes</b>	<b>+0</b>	<b>+0</b>

**Justification of Program Change:**

The 2017 budget request for Mission Support is \$12,648,000 and 75 FTE, no program change and 0 FTE change from the 2016 enacted level.

Mission Support makes it possible for OIG to perform audits and investigations by providing critical mission essential services to operational staff. Among its responsibilities, Mission Support oversees human resources, procurement, facilities management, telecommunications, legal analysis, travel, credit card management, budget formulation and execution, information technology, and cybersecurity. Mission Support also includes the Immediate Office of the Inspector General.



**MAX TABLES – BUDGET SCHEDULES****Treasury Account ID: 14-0104****(Dollars in Millions)**

		<b>2015 Actual</b>	<b>2016 Enacted</b>	<b>2017 Estimate</b>
<b>Program and Financing</b>				
	<b>Obligations by program activity</b>			
0001	Direct Program	50	50	56
0801	Reimbursable Programs	3	3	3
0900	Total New Obligations	53	53	59
	<b>Budgetary resources available for obligation</b>			
1100	Appropriation	50	50	56
1700	Spending authority from offsetting collections	3	3	3
1930	Total budget resources available for obligation	53	53	59
	<b>Change in obligated balances:</b>			
3000	Unpaid obligations, brought forward, Oct 1	8	11	11
3010	Obligations incurred, unexpired accounts	53	53	59
3020	Outlays (gross)	-50	-53	-63
3041	Recoveries of prior year unpaid obligations, expired	-	-	-
3050	Unpaid obligations, end of year	11	11	7
	<b>Outlays (gross), detail:</b>			
4010	Outlays from new discretionary authority	48	48	53
4011	Outlays from discretionary balances	2	5	10
4020	Total outlays (gross)	50	53	63
	<b>Offsets:</b>			
4030	Reimbursable program	-3	-3	-3
	<b>New budget authority and outlays:</b>			
4070	Budget authority	50	50	56
4080	Outlays net (discretionary)	47	50	60
4180	Budget authority, net (total)	50	50	56
4190	Outlays, net (total)	47	50	60

**MAX TABLES – BUDGET SCHEDULES****Treasury Account ID: 14-0104****(Dollars in Millions)**

		<b>2015 Actual</b>	<b>2016 Enacted</b>	<b>2017 Estimate</b>
<b>Object Classification</b>				
	Direct Obligations:			
	Personnel Compensation			
1111	Personnel Compensation: Full-time permanent	28	29	30
1121	Civilian personnel benefits	10	10	12
1210	Travel and transportation of persons	1	1	1
1231	Rental payments to GSA	3	2	5
1232	Rental payments to others	1	1	1
1252	Other services from non-Federal sources	0	0	0
1253	Other goods and services from Federal sources	7	7	7
1990	Subtotal, obligations, Direct obligations	50	50	56
	Reimbursable Obligations:			
1253	Other goods and services from Federal sources	3	3	3
9999	Total new obligations	53	53	59

	<b>Personnel Summary</b>	<b>2015 Actual</b>	<b>2015 Enacted</b>	<b>2017 Estimate</b>
<b>FTE</b>	Civilian full-time equivalent employment	263	263	283

## Office of Inspector General

### Employee Count by Grade (Total Employment)

	2015 Actuals	2016 Estimate	2017 Estimate
SES .....	7	7	7
<b>Subtotal .....</b>	<b>7</b>	<b>7</b>	<b>7</b>
GS/GM -15 .....	36	37	37
GS/GM -14 .....	59	59	65
GS/GM -13 .....	115	121	135
GS -12 .....	18	20	23
GS -11 .....	5	7	7
GS -10 .....	3	3	3
GS -9 .....	12	14	15
GS -8 .....	1	1	1
GS -7 .....	2	3	3
GS -6 .....	0	0	0
GS -5 .....	0	0	0
GS -4 .....	0	0	0
GS -3 .....	0	0	0
GS -2 .....	0	0	0
GS -1 .....	0	0	0
<b>Subtotal .....</b>	<b>251</b>	<b>265</b>	<b>289</b>
<b>Total employment (actuals &amp; estimates) .....</b>	<b>258</b>	<b>272</b>	<b>296</b>

**PROGRAM PERFORMANCE**

<b>GOAL PERFORMANCE TABLE</b>						
	<b>2014 Actual</b>	<b>2015 Actual</b>	<b>2016 Estimate</b>	<b>2017 Estimate</b>	<b>Change from 2017 Estimate to 2016</b>	<b>Long- Term Estimate 2020</b>
Percent of completed Performance Audits with recommendations resulting in a notice of finding	100%	85%	90%	90%	0%	90%
Percent of investigations resulting in a management advisory	5%	5%	5%	5%	0%	5%
Percent of cases resulting in criminal conviction, civil or administrative action, or other appropriate resolution	89%	89%	89%	89%	0%	89 %

**Audit Activities**  
**(Dollars in millions)**

Below are statistics that were reported in the 2012, 2013, 2014, and 2015 OIG Semiannual Reports to the Congress, as mandated by the Inspector General Act of 1978, as amended. This information highlights some OIG activities and outputs and their potential impact on the Department's programs and operations.

Description	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Audit Reports Issued or Reviewed				
Internal Audits, Contracts & Grant Audits	58	81	55	95
Single Audit Quality Control Reviews	1	2	5	2
<b>Total Audit Reports Issued or Processed</b>	<b>59</b>	<b>83</b>	<b>60</b>	<b>97</b>
<b><u>Impact of Audit Activities:</u></b> <b>(Dollars in millions)</b>				
Questioned Costs	\$3.6	\$30.2	\$33.0	\$13.8
Recommendations That Funds Be Put To Better Use	\$0.06	\$16.0	\$4.3	\$32.2
<b>Total Monetary Impact</b>	<b>\$3.7</b>	<b>\$46.2</b>	<b>\$37.3</b>	<b>\$46.0</b>
Internal Audit Recommendations Made	255	318	229	264
Internal Audit Recommendations Resolved	211	241	254	262

**Investigative Activities**  
(Dollars in Millions)

Description	2012 Actual	2013 Actual	2014 Actual	2015 Actual
<b><u>Investigative Activities:</u></b>				
Cases Opened	482	475	587	418
Closed	511	439	533	456
Hotline Complaints Received	239	607	746	815
<b><u>Impact of Investigative Activities:</u></b>				
Indictments/Information	22	46	50	22
Convictions	14	32	39	34
Sentencings	23	21	38	31
Jail (Months)	246	602	962	755
Probation/Supervised Release (Months)	768	1,899	1464	876
Community Service (Hours)	-	330	503	40
Criminal Judgments/Restitutions	\$1.50	\$4,456.60	\$10.70	\$11.00
<b><u>Criminal Investigative Activities:</u></b>				
Criminal Matters Referred for Prosecution	19	48	48	39
Criminal Matters Declined	5	20	16	19
<b><u>Civil Investigative Activities:</u></b>				
Referrals	4	10	6	5
Declinations	2	8	9	10
Civil Recoveries and Settlements	\$7.90	\$2.00	\$1.70	\$3.79
<b><u>Administrative Investigative Activities:</u></b>				
Administrative Actions	64	53	70	54
Contractor Suspensions	11	15	17	9
Contractor Debarments	32	27	44	29



**OIG MANDATORY ACTIVITIES**

- Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 requires that Inspectors General audit or arrange for annual audits of agency financial statements.
- The Single Audit Act of 1984, as amended, requires that Inspectors General review the quality of single audit reports of certain state, local, and Indian Tribal governments and nonprofit organizations and the conformity of the audit reports with the Act.
- The No Child Left Behind Act of 2001 requires that the Inspector General (IG) for the Department of the Interior (DOI) establish a system to ensure that financial and compliance audits are conducted of each Bureau of Indian Affairs school at least once every three years.
- The Insular Areas Act of 1982 requires the DOI OIG to establish “an organization which will maintain a satisfactory level of independent audit oversight” in the Insular Areas of Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands.
- The Superfund Amendments and Reauthorization Act of 1986 requires the Inspectors General to audit Environmental Protection Agency Superfund monies that are directly apportioned to the Department and those monies received through interagency agreements.
- The Office of National Drug Control Policy Reauthorization Act of 1998 requires Inspectors General to authenticate the detailed accounting of all funds expended by the Department for National Drug Control Program activities during the previous year. (Note: the Department has not reached the program funding threshold for which OIG authentication is required).
- The Federal Information Security Act of 2002 requires that Inspectors General perform annual evaluations of agency information security programs.
- The Fish and Wildlife Programs Improvement and National Wildlife Refuge System Centennial Act of 2000 requires the DOI OIG to procure biennial audits of the expense incurred by the Fish and Wildlife Service (FWS) for administering the Sport Fish and Wildlife Restoration Acts.
- The Consolidated Appropriations Act of 2000 requires Inspectors General to report quarterly on the promptness of their agency’s payments of their water and sewer bills to the District of Columbia Water and Sewer Authority.
- The Consolidated Appropriations Resolution of 2003 requires the Inspector General of each department to submit a report to the Committees on Appropriations detailing the department’s policies and procedures to give first priority to the location of new offices and other facilities in rural areas, in accordance with the Rural Development Act of 1972, as amended.

**THE INSPECTOR GENERAL REFORM ACT OF 2008 REQUIREMENTS:**

As required by the Inspector General Reform Act of 2008 (P.L. 110-409), the budget for the Office of the Inspector General must specify the amount initially requested to the Department of the Interior, the President's Budget request, the funding required for training, and any resources necessary to support the Council of the Inspectors General on Integrity and Efficiency. Our request is \$55,911,000 and includes approximately \$750,000 in base funding for OIG training needs in the fiscal year 2017.

**SECTION 403 COMPLIANCE:**

Public Law 113-285, Department of the Interior, Environment, and Related Agencies Appropriations Act, 2015, includes the following:

*SEC.403. The amount and basis of estimated overhead charges, deductions, reserves or holdbacks, including working capital fund and cost pool charges, from programs, projects, activities, and subactivities to support government-wide, departmental, agency, or bureau administrative functions or headquarters, regional, or central operations shall be presented in annual budget justifications and subject to approval by the Committees on Appropriations of the House of Representatives and the Senate. Changes to such estimates shall be presented to the Committee on Appropriations for approval.*

<b>External Administrative Costs (Dollars in thousands)</b>	<b>2017</b>
WCF Centralized Billings	1,093
WCF Direct Billings/Fee for Service	544

OIG pays external administrative costs through the Working Capital Fund for shared services and activities, and for separate "Fee for Service" agreements with the Department.