



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

**RECOMMENDATIONS FOR THE
EVALUATION REPORT TITLED
*U.S. DEPARTMENT OF THE INTERIOR'S
OFFSHORE RENEWABLE ENERGY PROGRAM
(CR-EV-BOEM-0001-2013)***



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SEP 30 2019

Memorandum

To: Tonya Johnson
Deputy Chief Financial Officer
Director of the Office of Financial Management

From: Amy Billings *Amy R Billings*
Regional Manager, Central Region

Subject: Verification Review – Recommendations for the Evaluation Report Titled *U.S. Department of the Interior's Offshore Renewable Energy Program*
(CR-EV-BOEM-0001-2013)
Report No. 2019-CR-051

The Office of Inspector General has completed a verification review of three recommendations in the subject report. Our objective for this review was to determine whether the U.S. Department of the Interior (DOI) implemented recommendations 2, 3, and 4 as reported to the Office of Financial Management (PFM), Office of Policy, Management and Budget (PMB). We did not review recommendation 1 because it has not been closed. Based on our review, we considered recommendations 3 and 4 resolved, implemented, and closed. Recommendation 2 has not been fully implemented.

Background

Our September 2013 evaluation report, *U.S. Department of the Interior's Offshore Renewable Energy Program* (Report No. CR-EV-BOEM-0001-2013), identified concerns with the DOI's Offshore Renewable Energy Program. Specifically, the DOI did not have updated regulations or detailed standard operating procedures for the program's internal processes. The report also identified that the program could avoid conflict between its energy development and regulatory enforcement roles by transferring the inspection and enforcement activities to the Bureau of Safety and Environmental Enforcement (BSEE) while retaining leasing responsibilities in the Bureau of Ocean Energy Management (BOEM). We made recommendations to BOEM, the Office of Natural Resources Revenue (ONRR), and the PMB Assistant Secretary.

On August 27, 2013, BOEM responded to our draft report and concurred with recommendation 2. On August 16, 2013, ONRR responded to our draft report and concurred with recommendation 3. On March 28, 2014, the PMB Assistant Secretary concurred with recommendation 4.

On December 11, 2013, we referred the recommendations to the PFM to track implementation and resolution. The PFM issued a series of memoranda to us between April 2014 and September 2016, stating that recommendations 2, 3, and 4 had been implemented and closed.

Scope and Methodology

We limited the scope of this review to determine whether the DOI implemented the three recommendations the PFM reported to us as closed. To accomplish our objective, we reviewed the supporting documentation that DOI officials had provided to the PFM and collected and reviewed additional supporting documentation, as required, to independently verify each recommendation's implementation.

We did not test internal controls, visit sites, or conduct fieldwork to determine whether the underlying deficiencies originally identified in the evaluation had been corrected. As a result, we did not conduct this review in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States or the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Results of Review

Based on our review, we concluded that recommendations 3 and 4 have been resolved, implemented, and closed.

Recommendation 3: We recommend that ONRR develop and implement detailed policies and procedures for its processes and responsibilities related to offshore renewable energy projects, including its coordination with BOEM and the receipt and review of rental payments and operating fees.

Action Taken: In March 2014, BOEM, ONRR, and BSEE entered into a memorandum of understanding (MOU) to collaborate on the processing and management of functions and systems related to the Outer Continental Shelf energy and mineral development. The MOU delineated the roles and responsibilities for lease management, accounting, and reporting activities, as well as roles and responsibilities related to the receipt and review of rental payments and operating fees. ONRR also developed a lease and agreement desk manual that demonstrated a step-by-step process of the collection of payments by ONRR through the website Pay.gov, as well as the payment communications process between BOEM and ONRR.

Recommendation 4: We recommend that the Assistant Secretary for Policy, Management and Budget direct BOEM and BSEE to collaborate on developing the inspection and enforcement function within BSEE to ensure an appropriate separation of duties.

Action Taken: On March 28, 2014, the PMB Assistant Secretary issued a memorandum that directed BOEM and BSEE to collaborate on developing the inspection and enforcement function within BSEE for renewable energy projects.

Based on our review, we concluded that recommendation 2 has not been fully implemented, and the PFM should reopen it.

Recommendation 2: We recommend that BOEM develop and implement detailed standard operating procedures (SOPs) for the program's internal processes in order to facilitate good management practices and strong internal controls.

Action Taken: BOEM established procedures for preparing and conducting a lease auction and determining the bond amount once construction and operating plans are approved. BOEM, however, has not finalized SOPs for the following internal processes:

- Inspections
- Verifying operating fee components—specifically the capacity factor and power price—and reviewing payments for accuracy
- Determining if a potential lessee is technically and financially capable of developing an offshore project

BOEM informed us that the SOPs for inspections and verifying operating fee components and reviewing payments for accuracy are under development but will not be implemented until at least 2021. In addition, BOEM stated it has drafted, but not finalized, an SOP for determining financial capability and told us the BOEM Director has not approved releasing the draft document.

Conclusion

Based on our review, we concluded that recommendations 3 and 4 have been resolved, implemented, and closed, but recommendation 2 has not been fully implemented. We are requesting that the PFM reinstate recommendation 2 and take appropriate follow-up actions for resolution. We informed the DOI and the PFM officials of the results of this review at an exit conference on September 5, 2019. The DOI and the PFM officials agreed with the results of our review and our request to reinstate the recommendation.

We would like to thank BOEM, the PMB, ONRR, and BSEE for providing us the information requested during our review. If you have any questions regarding this verification review, please contact me at 303-236-9243.

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