



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

**APR 24 2013**

The Honorable Jeanne Shaheen  
United States Senate  
Suite SH-520  
Hart Building  
Washington, DC 20510

Dear Senator Shaheen:

This is in response to your letter of April 5, 2013 in which you ask how my office has been impacted by sequestration, the projected long-term impact on our oversight abilities, and, if possible, an estimate of how much money will *not* be recovered as a result of the sequester.

The impacts of sequestration on the OIG for DOI are considerable. Anticipating sequestration, OIG has not replaced many of the employees it has lost to attrition, putting the office at roughly a 10 percent shortage of staff. This, of course, means scaling back on the scope and breadth of our audit, inspection, evaluation (AIE), and investigation oversight work we do.

Generally, in times of economic challenges the need to identify cost savings and eliminate fraud, waste, and mismanagement is essential; it would be prudent and cost effective to increase Office of Inspector General (OIG) staffing—not reduce it. The OIG is the only office in the Department of the Interior (DOI) whose primary purpose is to ensure that fines, penalties, and improper payments are collected, and to identify funds that are due the government.

Previous reductions have curbed the OIG's ability to conduct investigations, audits and evaluations, causing a steady decrease in the overall number of cases investigated and audits performed. The OIG has refocused its efforts and has put an emphasis on high priority, high impact programs and activities. This strategy allows for attention to be concentrated where the highest risks lie, but it severely diminishes the ability to proactively identify fraud and waste where it may be most prevalent.

With sequestration, we have had to delay the timing of some AIE assignments, reduced their scope, and in some instances, simply eliminated areas from oversight. With investigations, we have had to do much the same, by limiting the number of cases we accept for investigation, reduce or eliminate the coverage we provide in Indian Country or the Insular Areas, and limit proactive efforts we make to oversee high-risk funding areas, such as the monies appropriated in response to Hurricane Sandy.

In past years, the OIG has focused on prevention as a significant part of our oversight role. Notwithstanding our efforts, problems and fraud still occur. Sequestration affects the likelihood of preventing problems before they occur or detecting them after the fact, as expert staff becomes

stretched beyond capacity. Additionally, providing advice about best practices and warnings about vulnerabilities take a secondary role, as reacting to crises moves to the forefront. The OIG has had to limit the technical assistance, training, and outreach efforts throughout the DOI because of limited funding for travel and training.

The OIG suspension and debarment program has matured over the past several years, to become a robust and highly effective tool in the arsenal to address fraud and misconduct on the part of DOI contractors and grantees. Ironically, because of the program's success, the work is increasing in complexity. With flat or diminishing resources to dedicate to suspension and debarment, the OIG will not be able to keep pace with the demands of running this program effectively.

In all of our components, AIE, the Office of Investigations, and the Office of Management, sequestration has forced us to curtail training significantly. We have already reduced the specialized training we can offer our staff, which, unfortunately, affects those areas in which the greatest amount of revenue is generated in DOI—namely energy resources. Presently, we are providing only mandatory training, and in doing so, finding the most inexpensive training available, which is not necessarily the optimal training. In other instances, we are delaying required training. This is something that we can manage at this juncture, but should sequestration continue in future fiscal years, such delays will catch up to those who are required to have a specified amount of professional training over the course of several years. This will threaten professional licenses of our licensed employees, and the certification of our specialized staff.

We have had to curtail most of our discretionary spending in order to fund our basic operations. This results, however, in our inability to realize some operational efficiencies, such as updated automated systems and contract support for information technology, human resources, and other operations support services. Guidance from the Office of Management and Budget has also strictly instructed all federal entities affected by sequestration to cease monetary awards/bonuses to all General Schedule employees. While this does not directly affect the OIG's ability to conduct effective oversight, it does affect the morale of the great majority of OIG employees who have enjoyed no pay raise or cost of living increase for several years. This negative impact on morale may make it difficult to retain our top performers if sequestration continues.

The OIG is expected to investigate not only fraud, waste, and mismanagement, but also retaliation complaints. Whistleblower protections for federal and non-federal employees have been significantly expanded since the Whistleblower Protection Enhancement Act was signed into law in 2012. Sequestration limits the OIG's ability to respond fully to whistleblower complaints, and will require the OIG to raise the threshold for whistleblower complaints, targeting only those complaints that have the highest impact and risk based upon available resources. We will lose much of the progress we have achieved over the years and we run the risk of losing one of our most important resources in preventing and detecting fraud, waste, and mismanagement – the whistleblower.

While we cannot accurately project how much money will not be recovered as a result of sequestration, we can tell you that over the past two fiscal years, the OIG captured nearly \$60 million in criminal and civil penalties and identified questioned costs. This does not include estimates we made for revenue-generating programs that might increase revenues, if the Department corrected the way in which it calculates and/or collects royalties and fees.

The OIG has made many difficult operational decisions in response to decreasing budgets and in anticipation of sequestration by managing attrition, reducing facilities costs, and reducing or eliminating operating expenses. Having done this, we expect to make it through fiscal year 2013 without furloughs or Reductions in Force (RIF). Only our people remain. As such, the continuation of sequestration cuts beyond this fiscal year will undoubtedly mean furloughs and RIF, which will further deteriorate our ability to provide meaningful oversight to DOI. In other words, the fat has been trimmed. Future reductions will be sliced from the muscle and bone of the organization.

If you have any questions, please do not hesitate to contact me, or your staff may contact Associate Inspector General for External Affairs, Kris Kolesnik, at (202) 208-5745.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary L. Kendall". The signature is fluid and cursive, with a large initial "M" and "K".

Mary L. Kendall  
Deputy Inspector General