

ADMINISTRATION AND FINANCE

M A N A G I N G T H E O F F I C E

Since 1977 protecting the environment during coal mining and making sure the land is reclaimed after the coal is removed have been required by the Surface Mining Control and Reclamation Act (SMCRA). Making sure those requirements are met is the responsibility of the Interior Department's Office of Surface Mining.

Functionally, the Office of Surface Mining is organized around the two principal requirements of the surface mining law: regulating active coal mining and reclaiming abandoned mines.

Organization of the Office of Surface Mining

The Office of Surface Mining is field-oriented, with headquarters in Washington, D.C. Thirteen field offices located in the coal-producing states and

11 area offices located where coal mining is most active are responsible for on-the-ground regulation and enforcement. In addition, two support centers, in Pittsburgh, Pennsylvania, and Denver, Colorado, provide technical assistance to the field offices and the states. The Office of Surface Mining also maintains a financial management office in Denver and an audit investigation office in Lexington, Kentucky.

Management Guidance Plan

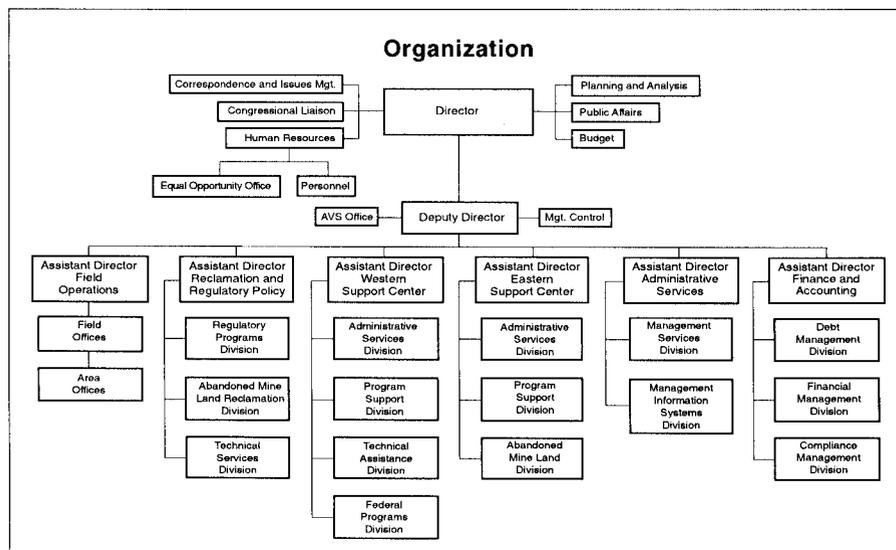
On November 15, 1993, Secretary Babbitt appointed an Interim Management Team to assist in the daily management of the Office of Surface Mining and identify its strengths and



weaknesses. A review of the agency occurred in three phases:

- Employee comments were solicited during group interviews.
- Citizen groups, environmental groups, state regulatory authorities, the coal industry, and labor unions were invited to comment on the effectiveness of the Office.
- Information was evaluated and a Management Guidance Plan was developed. The plan addresses the problems that were identified and recommends solutions.

The plan is being implemented by teams of employees from a diverse geographic and functional cross-section of offices. Of the 134 projects included in the plan, 89 percent have been started, and by the end of 1994 almost 63 percent were completed or a draft product was underway. Results of the teams' work is being used as the basis

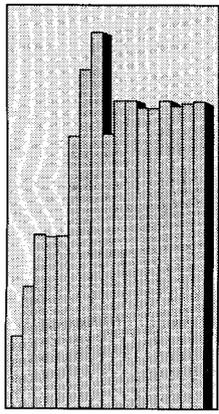


for developing a five-year strategic plan that will be completed during the spring of 1995.

Restructuring Plan

One of the Management Plan's first recommendations was to restructure the Office of Surface Mining, enabling it to better carry out the surface mining law. In response to this need, a proposal formulated by Office of Surface Mining employees was developed. This proposal, based on a regional structure, meets the National Performance Review's stream-lining goals and empowers employees in the field to make decisions and accept more responsibility. The proposed restructuring plan has been approved by the Office of Management and Budget. The plan is expected to be approved by Congress and implemented in 1995.

Budget and Appropriations



Office of Surface Mining Budget 1978-1994

The Department of the Interior and Related Agencies Appropriations Act of 1994 (Public law 103-138) appropriated \$110,552,000 from the General Fund for the Office of Surface Mining's regulatory and

enforcement activities. These appropriations included the following provisions:

- Performance bonds forfeited under Section 509 of SMCRA can be used to reclaim lands where the mine operator did not meet all the requirements of SMCRA and the permit. In 1994, performance bond forfeitures received and credited to this account totaled \$664,400. Of current- and prior-year bond forfeitures, \$1,010,065 was obligated for reclamation in 1994.
- Federal civil penalties collected

under Section 518 of SMCRA can be used to reclaim lands abandoned after August 3, 1977. Civil penalties collected in 1994 totaled \$519,170. Of current- and prior-year collections, \$100,650 was obligated for reclamation in 1994.

- State regulatory program grants were funded at \$51,661,000, which was unchanged from 1993.

In addition, \$190,107,000 was appropriated from the Abandoned Mine Reclamation Fund, and up to 20 percent of the funds recovered from delinquent debts was authorized for continuing collection of those debts. In 1994, the Office of Surface Mining spent \$929,000 to collect approximately \$7.7 million in delinquent AML fees and delinquent AML audit bills. The following provisions were included in the AML appropriation:

- State reclamation grants were funded at \$135,793,000, which was unchanged from 1993.
- Federal emergency program expenditures were limited to \$12,000,000.
- No more than 25 percent of total funds available for emergency reclamation projects could be used in any one state.

All the appropriations provisions were met.

In addition, the Office of Surface Mining received \$7,200,000 from the Emergency Supplemental Appropriations Act of 1994 to deal with abandoned mine land emergency landslides in Kentucky.

**TABLE 1
APPROPRIATIONS**

	1994	1993
Regulation & Technology		
State Regulatory Grants	\$ 51,661,000	\$ 51,661,000
Regulatory Program Operations	21,732,000	21,457,000
Tech. Services, Training & Research	14,004,000	15,227,000
Assessments and Collections	9,315,000	9,220,000
General Administration	13,840,000	14,151,000
<i>Executive Direction</i>	[2,082,000]	[2,124,000]
<i>Administrative Support</i>	[5,456,000]	[6,050,000]
<i>General Services</i>	[6,302,000]	[5,977,000]
Subtotal	110,552,000	111,716,000
Abandoned Mine Reclamation Fund		
State Reclamation Grants	135,818,000	135,793,000
Fee Compliance	6,539,000	6,520,000
Reclamation Program Operations	26,555,000	25,262,000
Rural Abandoned Mine Program	13,233,000	13,385,000
Small Operator Assistance Program	1,760,000	1,760,000
Kentucky Emergency Fund	7,200,000	0
General Administration	6,202,000	5,210,000
<i>Executive Direction</i>	[853,000]	[888,000]
<i>Administrative Support</i>	[2,339,000]	[1,469,000]
<i>General Services</i>	[3,010,000]	[2,853,000]
Subtotal	197,307,000	187,930,000
Civil Penalties	519,000	295,000
Total	\$308,378,000	\$299,941,000

Financial System: Electronic Improvements

The Office of Surface Mining continues to apply the latest technology to enhance its financial management. Automated procurement and budgeting systems have been upgraded in the accounting system, and those systems provide on-line access to accurate, up-to-the-minute financial management information. Improvements added in 1994 include:

After October 30, 1994, all companies owing Abandoned Mine Reclamation Fund fee payments of \$25,000 or more must submit payments via an electronic funds transfer mechanism approved by the U.S. Department of the Treasury. Currently those approved mechanisms are by wire transfer and automated clearinghouse. This requirement is designed to enhance cash management, improve the accuracy and efficiency of processing payments, and streamline fee collection efforts.

The Fee Billing and Collection System (FEEBACS), a subsidiary accounts receivable system that supports the recording, billing, monitoring, and collection of all Abandoned Mine Reclamation Fund fees, became operational in April 1994. This system is an on-line, real-time system designed to include both accounting and programmatic data.

The Office of Surface Mining began using the Department of the Treasury's Electronic Certification System (ECS) in July 1994. This system provides on-line payment capabilities and more timely payments for Office of Surface Mining vendors and travelers, and eliminates manual payment schedule preparation and mailing.

Fee Compliance and Debt Management

Thirteen Office of Surface Mining offices throughout the coal-producing regions of the country conduct on-site fee compliance audits of coal companies. In 1994, 388 audits and audit-related projects identified \$6.2 million in under-reported or non-reported Abandoned Mine Reclamation Fund fees, interest, and penalties. The findings covered about 21 million tons of coal.

Fee compliance improvements completed in 1994 included development of an automated system for auditors' use in conducting, documenting, and reporting their work. The automated system replaces several manual functions that are more time-consuming. To simplify the process, an audit guide, or program, followed in executing the audits was significantly streamlined. Further enhancements are planned through increased reliance on automation.

The Office of Surface Mining pursues delinquent debtors who owe civil penalties for mine site environmental violations and unpaid Abandoned Mine Reclamation Fund fees, including unpaid fees resulting from Office of

Surface Mining compliance audits. Collections and year-end debt for 1994 are shown in Table 2. Delinquent debt information is retained in the Applicant Violator System to prevent violators from receiving new mining permits until their accounts are settled. Of the \$83.2 million 1994 year-end debt balance, \$49.8 million (60 percent) is principal. The remainder represents interest, late payment penalties, and administrative charges on unpaid balances.

The Office of Surface Mining is currently processing \$5.2 million in delinquent debt. When agency avenues of debt collection have been exhausted, delinquent debts are referred to the Department of the Interior's Solicitor for appropriate legal action or bankruptcy proceedings. At the end of 1994, \$54.4 million was referred to the Solicitor. Of this amount, \$17.8 million is in bankruptcy proceedings, and the remainder has been referred for collection action. The remaining \$12.4 million was referred to the Department of Justice.

Category	Amount Collected	Balance Owed
Civil Penalties	\$ 519,170	\$33,711,492
AML Fees	240,785,633	25,668,980
AML Audited Fees	3,510,147	23,795,911
Totals	\$244,814,950	\$83,176,383
Debt Not Delinquent		11,266,627
Total Delinquent		\$71,909,756

Audited Financial Statements

Since 1990, the Office of Surface Mining has prepared an Annual Financial Statement after the close of each year, as required by the Chief Financial Officers Act of 1990 (Public Law 101-576). These statements are audited by the Department of the Interior's Inspector General to ensure that financial results are fairly stated and conform with generally accepted accounting principles for federal agencies. Results of the most recently completed audit, covering fiscal years 1992 and 1993, were favorable. The Office of Surface Mining received an

unqualified, or "clean," opinion from the Inspector General (OIG Report No. 94-I-5, April 1994).

Preparation of financial statements for 1994 began with the close of the fiscal year on September 30; the Inspector General's audit findings are in Appendix 1 of this report.

Human Resources Management

The year ended with 77 fewer full-time permanent employees than when it began (down from 1,003 to 926 employees). Headquarters decreased by 31; the Eastern Support Center by 10; the Western Support Center by 11; and the field offices by a total of 25.

Monitoring Potential Conflicts of Interests

Sections 201(f) and 517(g) of SMCRA prohibit any federal or state employee "performing any function or duty under this Act" from having "direct or indirect financial interests in underground or surface coal mining operations." The Office of Surface Mining monitors employees to prevent conflicts. In 1994, 1,002 OSM employees and 2,337 state employees filed financial disclosure statements. One violation was identified and resolved.

As part of state program oversight, a State Ethics Program review was conducted on the West Virginia program in March 1994. No major problems were identified.

Labor-Management Partnership

On June 23, 1994, the Office of Surface Mining director and the president of Local 1993 of the National Federation of Federal Employees entered into a Memorandum of Understanding to establish a local Labor-Management Partnership. This new relationship grew out of Executive Order 12871, Labor-Management Partnerships, signed by President Clinton on October 1, 1993. The partnership, which involves Headquarters employees, is the first in the Office of Surface Mining.