

BUSINESS LINE: *FINANCIAL MANAGEMENT*

		FY 2000 Enacted	Uncontrollable Costs	Program Change	FY 2001 Request	Difference from FY 2000
Regulation & Technology	\$\$\$	521	16	0	537	16
	FTE	5	0	0	5	0
Abandoned Mine Land	\$\$\$	5,205	209	0	5,414	209
	FTE	61	0	0	61	0
TOTAL	\$\$\$	5,726	225	0	5,951	225
	FTE	66	0	0	66	0

Operational Processes (Program Activities): OSM carries out its program financial management responsibilities through three activities: fee compliance, revenue management, and grants management. This business line does not include administrative accounting for appropriated funds.

THIS BUSINESS LINE SUPPORTS BOTH MISSION GOALS OF ENVIRONMENTAL RESTORATION AND PROTECTION THROUGH A MORE EFFECTIVE AND EFFICIENT MANAGEMENT OF HUMAN AND FISCAL RESOURCES TO FACILITATE RECLAMATION OF ABANDONED MINE LANDS AND IN ORDER TO PROTECT THE ENVIRONMENT, PEOPLE AND PROPERTY, DURING AND AFTER MINING

Fee compliance covers the collection, accounting, audit, and investment of abandoned mine reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee issues.

Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under Federal citations for mining violations and Federal performance bonds forfeited by coal mine permittees.

Grants management includes accounting for and reporting on grants awarded to States and Tribes for AML and regulatory purposes.

Strategic Outcome: Accurate and timely accounting for program financial transactions, maximization of revenue for the restoration and protection of the environment, and prompt financial services to States, Tribes, and industry.

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Indicator Measure(s): *The success in achieving these goals will be measured by the Office of Inspector General financial statement audit opinion for fee compliance, revenue management, grants financial services, and the fee compliance rate for operators reporting coal tonnage.*

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Table 16: Strategic Goals and FY 2001 Measures	1999 Actual	2000 Enacted	2001 Estimate	Annual Perf Goals
<p><i>Through 2002, OSM's annual financial statements will be free of any material weaknesses regarding fee compliance, revenue, and grants financial services as determined by the Office of the Inspector General.</i></p> <ul style="list-style-type: none"> In FY 2001, OSM will have no material weaknesses in any of OSM's annual financial statements as determined by the Office of the Inspector General. 	0	0	0	4.1
<p><i>Through 2002, OSM will maintain a 99 percent AML reclamation fee compliance rate, which is considered a substantive level for any program of this nature. While some non-payments and non-reporting will probably always be present due to such factors as errors and financial difficulties, OSM will work to minimize these problems and measure the level and accuracy of voluntary reporting.</i></p> <ul style="list-style-type: none"> OSM will maintain a 99% AML reclamation fee compliance rate as measured by: <ul style="list-style-type: none"> Percent of permits reporting (permits on OSM-1's returned compared to number of permits listed on OSM-1's* mailed); and Percent of audited tons accurately reported (Accurately reported tons identified in audits divided by total tons audited). 	99%	99%	99%	4.2.1
<ul style="list-style-type: none"> Percent of audited tons accurately reported (Accurately reported tons identified in audits divided by total tons audited). 	99%	99%	99%	4.2.2
<p><i>Through 2002, OSM will process requests for grant payments within one day, 95 percent of the time by measuring the total days to process requests compared to number of requests received.</i></p> <ul style="list-style-type: none"> In FY 2001, OSM will process requests for grant payments within one day, 99 percent of the time by measuring the total days to process requests compared to number of requests received. 	99%	99%	99%	4.3
<p><i>Through 2002, OSM will conduct customer surveys to determine accuracy, timeliness and overall satisfaction of grants financial management.</i></p> <ul style="list-style-type: none"> In FY 2001, OSM will attain a 90% customer service rating for overall satisfaction. 	100%	90%	90%	
<p><i>Through 2002, OSM will ensure the timely processing of current debt and the reduction of delinquent debt.</i></p> <ul style="list-style-type: none"> In FY 2001, OSM will continue the reduction of delinquent debt over 180 days according to the debt reduction schedule which eliminates the base year debt by FY 2001. 	57%	85%	100%	
<ul style="list-style-type: none"> In FY 2001, OSM will attain a 98% debt processing rate within the first 180 days (# of cases where collection action is taken as defined by OSM debt strategy divided by number of cases). 	97%	98%	98%	

* OSM-1's: Coal Reclamation Fee Reports

Data Verification and Validation for Measures: OSM has various internal controls and system capabilities to assure accurate and timely reporting of data. Additionally, the data and measures for this business line are subject to audit annually by the Department of the Interior's Office of the Inspector General.

Actions Required to Achieve Annual Goals: In FY 2000 and FY 2001, OSM will incorporate technological changes which create new opportunities for improving collection procedures. This includes using the internet and electronic file transfer to receive quarterly coal production reports, and the use of collection contractors. OSM will continue to use new and streamlined collection services as they become available and will work with customers and stakeholders to ensure fair and consistent policies.

An additional objective will be to provide a more efficient funds transfer mechanism to the States and Tribes, providing on-line, real-time management information. Most of OSM's payments are transfers of grant funds to States and Tribes. OSM has over 150 grants and cooperative agreements with the States and Tribes, accounting for over \$306 million.

Resources, Skills, and Technology Needed: To support program activities and to ensure that operators continue to support the surface mining program by paying appropriate fees, OSM plans to maintain a highly trained cadre of fee compliance auditors, program accountants, and financial systems personnel. Training will continue so that financial management personnel maintain a high level of skill and technical expertise.

There are a number of program financial data systems that OSM must maintain and enhance during FY 2001 to ensure that an effective, efficient, and accurate financial and accounting operation remains in effect. The most significant of these systems is the Fee Billing and Collection System (FEEBACS). The system is at the end of its effective life-cycle and must be re-designed. OSM will conduct a study in FY 2000 to determine the most effective design and development approach for the new system.

In FY 2001, the President's Budget requests \$5.3 million for its Fee Compliance program activity; \$451,000 for its Revenue Management program activity; and \$165,000 for its Grants Financial Management program activity to meet the annual goals discussed above

The following section details, by program activity, the funding and FTE resources required to meet the annual performance goals. It also includes examples of the types of technical training, assistance efforts, and transfer activities provided by this business line.

**Table 17 - Justification of Program Performance
Financial Management**
Summary Increases/Decreases for FY 2001
(Dollars in Thousands)

Program Activity	Regulation & Technology		Abandoned Mine Lands		Total		Inc/Dec
	2000	2001	2000	2001	2000	2001	
Fee Compliance	\$\$\$	0	5,129	5,335	5,129	5,335	206
	FTE	0	60	60	60	60	0
Revenue Management	\$\$\$	438	0	0	438	451	13
	FTE	4	0	0	4	4	0
Grants Financial Management	\$\$\$	83	76	79	159	165	6
	FTE	1	1	1	2	2	0
TOTAL	\$\$\$	521	5,205	5,414	5,726	5,951	225
	FTE	5	61	61	66	66	0

ONGOING PROGRAM

1. Fee Compliance

SMCRA established the AML Fund to be credited with fees collected on each ton of mined coal sold, used, or transferred to finance the restoration of land mined and abandoned prior to August 1977. Coal mining has disturbed more than one million acres of land, resulting in significant health and safety problems for coalfield citizens and the public in general. An adequate AML Fund is essential to ensure that these problems are abated by providing the financial resources for State, Tribal, and Federal reclamation efforts. Although substantial reclamation progress has been made, an estimated \$2.5 billion is needed to reclaim priority 1 and 2 sites impacting the public health, safety, and general welfare. Another \$1.6 billion is needed for priority 3 sites with environmental hazards identified by States and Tribes. It is estimated that billions of dollars more are needed for other priority three sites which have not yet been inventoried.

OSM's Fee Compliance Program, established to carry out SMCRA's requirements is one of the most successful in the Federal government. The program goal is to maximize compliance by fairly and consistently applying policy and collection procedures at a reasonable cost. In FY 1999, the program achieved record highs with a 99.6 percent compliance rate and more than \$276 million in total collections. Table 18 details the actual and projected annual collections and earnings of the AML Fund. In the "By State Information" section, details of the FY 1999 and cumulative collections for individual States is provided. The total direct program cost of \$5.3 million was less than 1.9 percent of the amount collected. The program also received the stamp of approval from the Inspector General's Office (OIG), which concluded in a September 1997 report ("Survey Report: Fee Compliance Program, Office of Surface Mining Reclamation and Enforcement (no. E-IN-osm-002-97)) that the program was operated efficiently, effectively, and in accordance with the authorizing legislation and regulations.

Since the inception of the AML Fund through FY 1999, OSM has collected \$5.4 billion. The Abandoned Mine Land Reclamation Act of 1990 granted OSM the authority to invest the unappropriated balance of the Fund in U.S. Treasury issued public debt securities after October 1, 1991. This has generated interest of over \$480 million through FY1999. Tables 17 and 18 detail the funding balance of the AML Fund.

This program activity is comprised of two integrated components which are the AML fee collection and fee audit programs. Together they provide a wide range of services to a variety of internal and external customers.

a. AML Fee Collection

The collection component assures that the AML Fee payment requirements of SMCRA are consistently and fairly applied across the country, creating a level playing field for all coal

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companies. In FY 1999, OSM collected more than \$276.6 million of \$278.2 million in new fees due that year. That translates into a 99.4 percent collection rate. And, OSM collected \$3.4 million more in FY 1999 than in FY 1998.

To assist in managing AML Fee collections, OSM utilizes the Fee Billing and Collection System (FEEBACS). This computerized system provides subsidiary accounts receivable and management information needed to manage the fee compliance program. FEEBACS is integrated with the Applicant Violator System to track new permits from initial permitting through fee reporting. AML fee payments are tracked by permit number of producing coal companies for each quarter of the year. In addition, the system issues quarterly OSM-1 Coal Reclamation Fee Reports (OSM-1s) for industry coal sale reporting and fee computation. The OSM-1 package includes all data available on potentially producing permits to simplify the reporting requirements by industry. The forms are pre-printed and mailed to the companies to facilitate tonnage reporting and fee payment. FEEBACS also tracks quarterly payments received, identifies delinquent debtors and non-responding companies, and produces bills for delinquent accounts and letters to non-respondents.

Payment of AML fees is due thirty days after the end of each calendar quarter. Companies either mail their OSM-1 forms and payments to a lockbox operated by a commercial bank or they pay fees by electronic fund transfer from their local bank to Treasury. Reports covering about 3,900 permits are processed each quarter. Unless paid timely, the amount due is subject to penalties, interest, and administrative costs in accordance with the Debt Collection Improvement Act of 1996,

During FY 2000, OSM plans to test an automated method of streamlining the fee reporting process. The new method is Electronic Data Interchange, which would allow for electronic transmission of the OSM-1 reports filed by coal companies each quarter. Electronic Data Interchange could make it easier to both report and process fee information. Approximately \$90,000 of the funds requested in FY 2000 would be used to expand the test demonstration to all coal companies.

During FY 2000, OSM plans to achieve or exceed the following performance measures:

- 99% of permits will comply with the AML Fee reporting requirement;
- OSM will reduce the amount of targeted delinquent debt by 85 percent; and
- OSM will process 98 percent of delinquencies, within 180 days.

b. AML Fee Audit

The audit program is designed to promote timely and accurate reporting of coal tonnage and to ensure correct payment of AML reclamation fees, thereby maximizing compliance. The focus on the compliance rate as the primary measure of the program's success is consistent with the

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Government Performance and Results Act, which requires assessments of program outcomes rather than work unit statistics. This "bottom-line" approach also gets to the heart of SMCRA's mandate regarding reclamation fees: conduct such audits as necessary to ensure full compliance. For FY 1999, the compliance as measured by the accuracy of the tonnage audited was 99 percent. More importantly, the high compliance rate helped to increase revenue by \$3.4 million over the prior year.

OSM's audit program helps ensure the continued payment of fees, providing the funds for the successful accomplishment of SMCRA's goals. By structuring the audit program so that all companies have the potential to be audited, an effective deterrent to noncompliance is always present. To support the program goal of maximizing compliance, the auditors conducted more than 200 onsite reviews of coal companies' records in FY 1999. Beyond the deterrent effect, this provides an opportunity to assist industry on accounting and reporting matters. For example, when instances of non-compliance are identified, the auditors explain each issue and how similar occurrences can be avoided in the future.

The audit staff is strategically located in field offices in most of the coal-producing areas, which is instrumental in providing direct service to coal operators. To ensure quality, all work is carried out in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The continuing professional education and training of OSM's auditing staff is emphasized in accordance with those standards.

Auditors also provide other services to the regulatory authorities, industry, other government agencies, and the public. These services, which have evolved over the years as a result of legislative and administrative initiatives to improve compliance, include the following:

- *Examining mining permits and other operator-reported data. Discrepancies are communicated to the accounting and collection team to assure quality control.* The 1990 SMCRA amendments added several items on which operators are required to report, such as the shipping points and customers, and the auditors are required to verify this data as well as the tonnage for completeness and accuracy.
- *Providing an audit appeal process to resolve disputed audit findings.* OSM instituted this process to provide an administrative means to resolve disagreements on additional fees owed. It has provided a way to avoid costly litigation, is comparable to programs operated by other agencies that conduct audits, and is regarded by all as good customer service.
- *Identifying refunds for operators who have overpaid fees and providing guidance on the assessment and calculation of fees.* OSM's mandate is to ensure tonnage is accurately reported, and to be objective in carrying out this effort, even if it means giving money back. Over-reporting of tonnage may be found in audits, and this

effort also serves as a "check" when issuing refunds to operators which apply for refunds on their own.

- *Developing necessary regulatory revisions regarding fees.* Periodically, the need arises to adapt the governing regulations to changes in the industry. The auditors have the most direct contact with operators, which is helpful in identifying areas in need of change, and the subject-matter expertise to develop, test, and implement those changes. This is part of an ongoing effort to ensure fairness and a level playing field among all operators in paying fees.
- *Providing tonnage and audit information to the States, Tribes, and Federal agencies.* The regulatory authorities routinely seek audit assistance and information, which OSM is legally obligated to provide. The auditors also provide audit and related services to other OSM units in the overall implementation of SMCRA.
- *Examining and updating the ownership and control data used in the AVS to link related mining violators.* The auditors are one of OSM's primary means for verifying the data, which is essential for ensuring data accuracy and operators are not unduly delayed in obtaining mining permits.
- *Determining operators qualified for fee exemption under the provisions in the regulations.* There are several categories of coal removal not subject to fees. These claims must be verified to ensure only those truly entitled to the exemption are not required to report. A record review is necessary because of the nature of the various exemptions.
- *Responding to inquiries from coalfield citizens and other members of the public on fee and audit issues.* The Freedom of Information Act and good customer service make these activities essential to the ongoing cooperative mission of OSM.
- *Coordinating efforts to assist operators on fee-related matters.* The operators have a working relationship with OSM auditors, the first line of OSM presence which many operators meet on a recurring basis. Calls are regularly received by the audit field offices for assistance, commonly in reporting tonnage, clearing up debt, and removing permit blocks. To provide operators the information they need to comply, these inquiries are initially handled by the auditor first contacted. It is OSM's intent to continue working with operators in a cooperative manner to address issues relating to all aspects of the coal industry.

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Another important benefit of the audit program is that all audit results are routinely provided to the Internal Revenue Service, which is responsible for administering Federal coal excise taxes. Revenue from that tax is designated for the Black Lung Disability Trust Fund. OSM audit results have significantly helped in identifying companies which have underpaid excise taxes.

In FY 2001 and beyond, OSM will continue to ensure the policies and regulations are adapted as needed to changes in the industry and undertake other initiatives to allow the program to remain efficient and effective. These activities will include:

- Conducting outreach sessions with industry and other stakeholders. This activity helps ensure operators have the information needed to comply, and maximizes communications and coordination for keeping the program successful.
- Refining policies regarding the assessment of reclamation fees on coal recovered from coal refuse piles. OSM wants to ensure that the fee application remains in step with SMCRA's overall goals and OSM's efforts to enhance re-mining of abandoned sites.
- Enhancing the audit systems. OSM's automated audit system has been recognized as highly innovative and efficient by the OIG, a Federal Executive Board, and other government agencies. The system, along with reengineering of work processes, has enabled OSM to maintain the level of audit productivity and, hence, compliance, with fewer staff.

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**Table 18 - Actual and Estimated Deposits to the AML Fund
AML Production Fees, Investment Earnings, and Associated Fees**
(Production in millions of tons)
(Dollars in millions)

	1999		2000		2001		2002		2003	
	DOE	OSM								
<i>Production: *</i>										
Underground	383	408	413	440	455	487	469	502	504	539
Surface	672	615	654	600	635	581	641	587	622	569
Lignite	100	87	70	61	64	56	64	56	65	56
AML Fees**	\$276.6		\$277.2		\$277.0		\$281.2		\$280.6	
Investment	\$82.8		\$73.0		\$80.4		\$83.0		\$87.0	
Total	\$359.4		\$350.2		\$357.4		\$364.2		\$280.6	

**Production actual/estimates: Department of Energy, Energy Information Agency from Annual Energy Outlook, adjusted for fiscal year. OSM estimates are based on sale of coal that is produced.*

***Fees are based on OSM estimates of production, adjusted for moisture content reduction and actual sale. The FY 1999 AML fees are net of fee refunds collected in prior years. Associated Fees include: late payment interest paid by operators when AML production fees are not paid timely and fees to cover the additional administrative costs when operators file incorrectly or for when debt collection activities are necessary.*

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Table 19 - Summary Status of Abandoned Mine Reclamation Fund
(Dollars in Thousands)

Fiscal Year	Receipts & Interest Income			Appropriations			Cumulative Unappropriated Fund Balance
	Amount	Interest Earned	Cumulative	Amount	Transfer to UMWA	Cumulative	
1978	105,444		105,444	36,647		36,647	68,797
1979	184,433		289,877	61,451		98,098	191,779
1980	199,000		488,877	94,843		192,941	295,936
1981	192,657		681,534	82,485		275,426	406,108
1982	222,644		904,178	115,333		390,759	513,419
1983	197,196		1,101,374	213,079		603,838	497,536
1984	216,554		1,317,928	271,228		875,066	442,862
1985	226,426		1,544,354	296,941		1,172,007	372,347
1986	219,162		1,763,516	197,277		1,369,284	394,232
1987	215,304		1,978,820	203,720		1,573,004	405,816
1988	229,890		2,208,710	199,380		1,772,384	436,326
1989	235,493		2,444,203	193,160		1,965,544	478,659
1990	243,519		2,687,722	192,772		2,158,315	529,407
1991	243,761		2,931,483	198,955		2,357,274	574,209
1992	241,954	39,328	3,212,765	187,803		2,545,075	667,690
1993	238,154	30,633	3,481,552	187,930		2,733,005	748,547
1994	244,279	40,090	3,765,921	190,107		2,923,112	842,809
1995	255,433	61,730	4,083,084	182,386		3,105,498	977,586
1996	256,451	69,383	4,408,918	173,887	47,184	3,326,569	1,082,349
1997	266,783	81,006	4,756,708	177,085	31,374	3,535,028	1,221,680
1998	273,039	67,031	5,096,778	177,623	32,562	3,745,213	1,351,565
1999	276,674	82,831	5,456,283	185,392	81,766	4,012,371	1,443,912
2000	277,200	72,700	5,806,183	196,208	108,959	4,317,538	1,488,645
2001	277,000	82,800	6,165,983	211,158	67,000	4,595,696	1,570,287

The FY 2000-2001 receipt figures and interest earnings are projections . Beginning In FY 1992, SMCRA was amended to allow the AML Fund to be invested. The Energy Policy Act of 1992 provided that funds from the interest earned could be transferred to the United Mine Workers of America Combined Benefit Fund. The FY 2000 payment includes a one-time emergency funding of \$68 million.

2. Revenue Management

The Revenue Management activity involves managing a variety of non-fee revenues and receivables that come from the agency's operations. These revenues exceeded \$642,881 in 1999 and included the following:

- federal civil penalties that are issued for mining violations (\$863,145 in new civil penalty receivables were recorded in FY 1999);
- bond forfeitures by federally permitted mining companies (\$241,000); and
- fees for mine permit reviews and blaster certification training(\$55,270).

Services provided include the accounting, collection, management, and disbursement of these funds.

Civil penalties assessed by Federal enforcement actions comprise the majority of the revenue and workload involved in revenue management. Civil penalty collections are used to reclaim post-SMCRA mine sites under the Environmental Protection business line. In FY 1999, \$863,145 in civil penalty receivables were assessed and \$103,887 were collected. This discrepancy between assessments and collections is mainly due to the financial condition of operators that incur large civil penalties. Operators that are in good financial condition correct violations as they occur, before a failure-to-abate cessation order is issued. Companies that are in poor financial condition, or have abandoned the mine site, do not correct violations promptly, and incur large civil penalties. While some of the civil penalties that were assessed in 1999 will be collected in later years, most of the collections from viable companies occur in the first year.

To increase the collection rate on civil penalties to the maximum extent possible, OSM uses all of the debt collection tools available. These tools include demand letters, personal contact with the debtor, use of payment plans, referral to private collection agencies or the Department of Treasury, litigation through the Solicitor's Office, and referral to the Department of Treasury for payment offset. Additionally, delinquent civil penalties are reported to the Applicant Violator System so that violators and debtors do not obtain permits to mine coal until the outstanding debt and violations have been resolved. These are the same tools used in the AML Fee collection program. However, because the majority of the companies that incur AML Fees are viable, the collection rate for AML Fees is higher than the collection rate for civil penalties.

During 2000-2001 OSM plans to continue to reduce civil penalty debt that is more than 180 days delinquent. OSM is working with the Solicitor's Office to review delinquent cases that are not in litigation. Cases that are uncollectible will be written off. Cases that may have collection potential will be referred to the Department of Treasury for collection, in accordance with the Debt

Collection Improvement Act of 1996. OSM has a memorandum of understanding with the Department of Treasury whereby they will provide collection services on debts over 180 days delinquent. As a result, OSM plans to meet or exceed the following performance measure in 2000:

- Targeted delinquent federal civil penalty debt will be reduced by 85 percent cumulatively.

Bond forfeitures on federally-permitted lands are used to reclaim mine sites when a company fails to perform reclamation. It is a positive indicator that bond forfeitures have declined over the past three years. Fees for mine permit reviews and blaster certification have remained relatively constant.

3. Grants Financial Management

This activity accounts for and disburses over \$236 million in reclamation and regulatory grants to States and Tribes under the Environmental Restoration and Environmental Protection business lines. Grants represent over 71 percent of OSM's budget and fund the protection and restoration of land, water, and structures. The grants financial management activity includes the disbursement, accounting, reporting and recovery of grant funds. It also includes the computer systems used to support these functions.

After grants are issued, the grant disbursement system allows States and Tribes to request funds and receive payment within one day. The grants tracking system allows grant specialists to track grant awards, disbursements and costs, and manage the grant financing. Grant awards are entered into the Grants Information Financial Tracking System (GIFTS) to establish a grant account balance. As States and Tribes need funds, they submit a draw-down request for funds through OSM's on-line Draw-Down Express system. The Draw-Down Express System automatically checks GIFTS to assure that funds are available. If funds are available, the system approves payment and a payment is issued. GIFTS is updated as payments are made. As States and Tribes spend the grant funds they have received, they submit cost reports which are entered into the system. GIFTS gives OSM grant specialists and States and Tribes on-line reports which show the status of grant funds.

During FY 2000 and 2001, OSM plans to migrate its Grant Payment System to a government Grant Payment System replacing its' Draw-Down Express System. This is required of all government agencies who made grant payments. OSM will continue to work with the States and Tribes to make sure that their grants management needs are met. During FY 2001, OSM plans to meet or exceed the following measures:

- 99 percent of grant payment requests will be processed within one day; and
- 90 percent of States and Tribes will rate our services as satisfactory or better.

Justification of Program Changes:

Financial Management	FY 2000 Budget Request	Program Changes (+/-)
\$(000)	5,951	0
FTE	66	0