

From: [Cunningham, Celina](#)
To: [Bryce Barlan](#)
Subject: Fwd: FW: Release of formerly restricted product: GAO-14-140, Coal Leasing: BLM Could Enhance Appraisal Process, More Explicitly Consider Coal Exports, and Provide More Public Information, 361421
Date: Tuesday, February 04, 2014 12:56:49 PM

----- Forwarded message -----

From: **Nancy Thomas** <nancy_thomas@ios.doi.gov>
Date: Tue, Feb 4, 2014 at 12:54 PM
Subject: FW: Release of formerly restricted product: GAO-14-140, Coal Leasing: BLM Could Enhance Appraisal Process, More Explicitly Consider Coal Exports, and Provide More Public Information, 361421
To: LaVanna Stevenson <lsteven@blm.gov>, Harvey Blank <harvey.blank@sol.doi.gov>, Mitchell Leverette <mleveret@blm.gov>, Philip Lowe <philip.lowe@sol.doi.gov>, Richard Myers <richard.myers@sol.doi.gov>, Matthew McKeown <matthew.mckeown@sol.doi.gov>, DOI_PFM_ALO <doi_pfm_alo@ios.doi.gov>, OS_PMB_OfficeHeads <os_pmb_officeheads@ios.doi.gov>, DOI_Bureau_Heads <doi_bureau_heads@ios.doi.gov>, Linda Lance <llance@blm.gov>, Janet Lin <jhlin@blm.gov>
Cc: sharon_j_blake@ios.doi.gov, eric_eisenstein@ios.doi.gov, Douglas Glenn <douglas_glenn@ios.doi.gov>, Pam Haze <pam_haze@ios.doi.gov>, Carlos Uriarte <carlos_uriarte@ios.doi.gov>, Celina Cunningham <celina_cunningham@ios.doi.gov>, Richard Cardinale <richard_cardinale@ios.doi.gov>, Teresa Taber <teresa_taber@ios.doi.gov>, Rebecca Mack <rmack@blm.gov>, Tiya Samuels <tsamuels@blm.gov>

GAO has released the final report on Coal Leasing. <http://www.gao.gov/products/GAO-14-140>

There are eight recommendations to BLM. The Department's 60-day letter addressing the implementation of the eight recommendations is due by April 7th.

I request that LaVanna Stevenson consolidate the comments and recommendation responses and submit the draft 60-day letter to me by March 20th. This will provide sufficient time for departmental review and surnaming before it gets signed by the Assistant Secretary for Land and Minerals.

Thanks

Nancy

Nancy Thomas | DOI OIG/GAO Audit Liaison

US DEPARTMENT OF THE INTERIOR (DOI)

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nancy_thomas@ios.doi.gov | www.doi.gov

From: GAO Reports [mailto:GAOReports@gao.gov]

Sent: Tuesday, February 04, 2014 9:40 AM

To: nancy_thomas@ios.doi.gov; Sharon_j_blake@ios.doi.gov; Douglas_Glenn@ios.doi.gov;

nancy_thomas@ios.doi.gov; Sharon_j_blake@ios.doi.gov; Douglas_Glenn@ios.doi.gov

Cc: Fennella@gao.gov; ErdmannE@gao.gov; HockadayS@gao.gov; ReidJJ@gao.gov;

HeacockS@gao.gov; Norrisc@gao.gov

Subject: Release of formerly restricted product: GAO-14-140, Coal Leasing: BLM Could Enhance Appraisal Process, More Explicitly Consider Coal Exports, and Provide More Public Information, 361421

GAO will release the following previously restricted product to the public today.
Until then, use the secure link below to access the product.

GAO-14-140

Coal Leasing: BLM Could Enhance Appraisal Process, More Explicitly Consider Coal Exports, and Provide More Public Information

<http://www.gao.gov/prerelease/nLRr>

This report contains recommendations to your agency. As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement of the actions taken on our recommendations to the Senate Committee on Homeland Security and Governmental Affairs and to the House Committee on Oversight and Government Reform not later than 60 calendar days from the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 calendar days after that date. Since the congressional requester has asked that the distribution of the report be restricted, as provided by GAO's Congressional Protocols, the 60-day period begins on the date the report is released and e-mailed to you. Because agency personnel serve as the primary source of information on the status of recommendations, GAO requests that you also provide GAO with a copy of your agency's statement of action to serve as preliminary information on the status of open recommendations. Please send your statement of action to ERDMANN, ELIZABETH A (erdmanne@gao.gov) or to me at (fennella@gao.gov).

We appreciate the assistance and cooperation of your staff during our review.

Anne-Marie Lasowski Fennell

Director, Government Accountability Office: Natural Resources and Environment

After public release later today, the following link should be used to obtain the product.



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

AUG 29 2013

Ms. Anne-Marie Fennell
Director, Natural Resources and Environment
U. S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Fennell:

Thank you for the opportunity to review and provide comments on the draft Government Accountability Office (GAO) Report entitled "COAL LEASING: BLM Could Enhance Appraisal Process, More Explicitly Consider Coal Exports, and Provide More Public Information" (GAO-13-586).

The Department of the Interior appreciates the work of the GAO team and how the draft report captures the uncertainties and complexities involved with the coal leasing process. We concur with the recommendations in the report. The Bureau of Land Management (BLM) has already begun implementing a number of reforms designed to improve and standardize the performance of the BLM coal program, including the establishment of a Memorandum of Understanding (MOU) with the Department's Office of Valuation Services to strengthen the BLM coal valuation program. The BLM also will soon publish additional detailed information regarding past lease sales on its national and state websites.

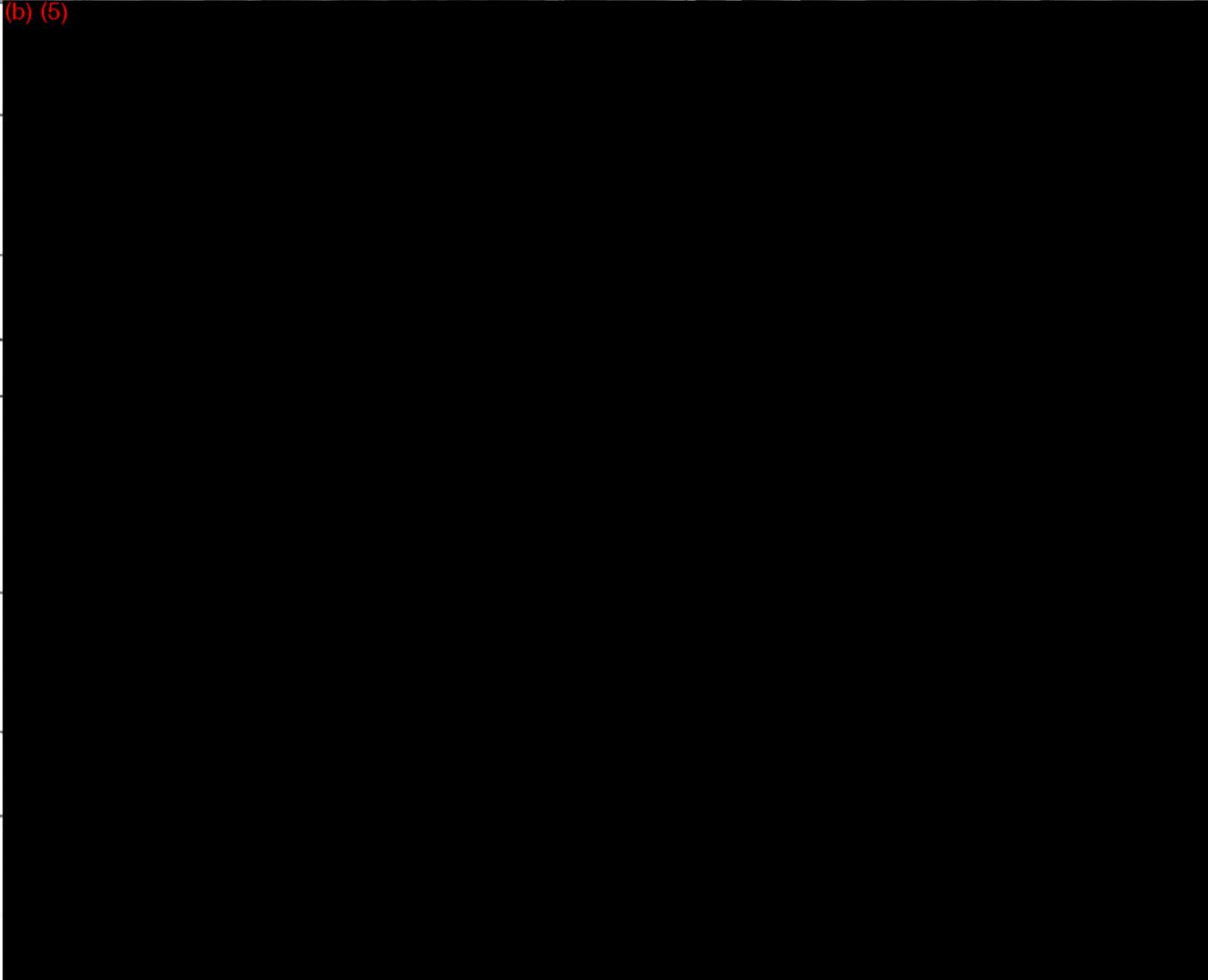
We are providing two enclosures. The first is a table of our technical comments on the draft report to assist with the preparation of the final report. The second is a copy of the referenced MOU between the BLM and Office of Valuation Services. If you have any questions or need any additional information, please contact Mitchell Leverette, Chief, Division of Solid Minerals, at 202-912-7113 or LaVanna Stevenson, BLM's Audit Liaison Officer, at 202-912-7077.

Sincerely,

Tommy P. Beaudreau
Acting Assistant Secretary
Land and Minerals Management

Enclosure

**BLM Comments Concerning
GAO's Draft Report – Coal Leasing – August 2013
GAO-13-586**

Page	Par.	Line(s)	Technical Comment
1	Footnote 1	3-5	<div style="color: red;">(b) (5)</div> 
2	2	6	
6	3	9-10	
7	3	4	
8	Footnote 21	1-2	
12	Figure 2		
15	1	6	
17	2	7	

**BLM Comments Concerning
GAO's Draft Report – Coal Leasing – August 2013
GAO-13-586**

Page	Par.	Line(s)	Technical Comment
17	1	1	(b) (5)
18	Figure 5		
19	1	2	
21	2	2-3	
23	2	11-13	
25	Table 2	Income Approach	
29	1	1-2	
32	2	1-3	

**BLM Comments Concerning
GAO's Draft Report – Coal Leasing – August 2013
GAO-13-586**

Page	Par.	Line(s)	Technical Comment
32	2	1-3	(b) (5)
33	2	2	
34	2	5-7	
35	2	1-2	
35	2	1	
35	3	1	
37	2	1-4	
39	2	1	
41	3	2	
42	3	1	

Memorandum of Understanding

Bureau of Land Management and Office of Valuation Services

I. Project Title

Valuation Processes under the BLM Coal Management Program

II. Background

The Bureau of Land Management (BLM) in the U.S. Department of the Interior (Department) oversees coal mining activities on Federal (public) and Indian lands. The Department collects more than \$1 billion in bonus and royalty revenues from coal mining companies each year, a figure that has been steadily rising. In fiscal year 2012, bonuses and royalties exceeded \$2.4 billion, the highest amount recorded in the last decade. The program also helps satisfy the Nation's energy needs, as about 40 percent of the Nation's coal comes from public lands, and coal-burning power plants generate over a third of the Nation's electrical power.

The Office of the Inspector General (OIG) reviewed the program's goal of obtaining a fair return for coal on public lands, and found weaknesses in the current lease sale process that could put the Government at risk of not receiving the full, fair market value for the leases.

Three of the 13 recommendations from OIG call for BLM to work with the Office of Valuation Services (OVS), as follows:

1. BLM should work with OVS when establishing fair market value (FMV) policies and methods, and when identifying FMV for coal leases.
2. BLM and OVS should take action to fully account for export potential in developing coal FMVs.
9. BLM should work with OVS in preparing the FMV appraisals for lease modifications. This should include establishing recordkeeping standards.

This MOU outlines the process that BLM and OVS will follow in addressing these recommendations. It is an expectation of this MOU that the process, as ultimately developed, will address the working relationship between OVS and BLM for both coal and mineral materials, which is the subject of a separate on-going OIG evaluation. The BLM and OVS agree to update this MOU once BLM receives a final report for the mineral materials evaluation.

III. Purpose and Objectives

BLM and OVS will establish a program for the effective completion and review of FMV estimates for coal through the following steps:

- BLM and OVS will establish a joint working group to:
 - Establish a consistent protocol for how a minimum acceptable FMV will be calculated, taking into account industry and external standards, for coal leasing;
 - Develop a standardized protocol for external review by OVS of BLM's determination of the minimum acceptable FMV for coal leasing;
 - Update guides and training materials for determining the minimum acceptable FMV;
 - Establish the procedures for valuations to support coal leasing activities, clearly specifying the roles of BLM Field, State and Washington Office staff and OVS staff; and
- Undertake an evaluation of the impact of export potential on coal leasing FMV determinations.
 - Note: The team shall be authorized to involve other BLM and/or OVS staff in this evaluation of export potential as necessary and appropriate.

IV. Duration/Performance Period

The work of the Joint project team shall commence no later than June 21, 2013, and the team shall report progress to the Directors of the BLM and the OVS by September 1, 2013.

V. Roles and Responsibilities

OVS will name four staff to the project team, as follows:

Robert Davidoff, Chief, OVS Office of Minerals Evaluation.
Joe Cornellison, Mining Engineer
Wade Schroeder, Review Appraiser
Christine Sadler, Realty Specialist

BLM will name five staff to the project team, as follows:

Mitchell Leverette, Chief, Solid Minerals Division (WO)
Bill Lesage, Mining Engineer (WO)
Brenda Neuman, Mining Engineer (WY)
Jeff McKenzie, Mining Engineer (UT)
Kyle Free, Mining Engineer, (CO)

VI. Schedule

The schedule of activities for this project team includes:

1. Naming of team members – prior to June 21, 2013
2. Kick-off telephone conference – week of June 24, 2013
3. Project scoping and initial assignments – on-going, July-August
 - a. Overall protocol for establishing FMV estimates
 - b. Statement of Work Template
 - c. FMV review template
 - d. Guidebook and training materials
 - e. Estimate of needs to support evaluation of export potential
4. Interim progress report – August 21, 2013

VII. Additional Terms

1. Funding information

Through this initial program development stage, BLM and OVS shall be responsible for expenses incurred by project team members for the respective offices. Once the program is ready for implementation, a policy decision will be required regarding funding of the on-going program.

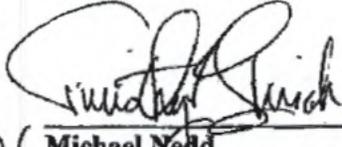
2. To evaluate the program prior to finalization, the team may recommend specific pilot initiatives to validate coal leasing process improvements.
3. Amendments/Modifications. This MOU shall be effective on the date of the final signature. It shall remain in effect until a final program is approved by the Directors of the BLM and the OVS.

This MOU may be modified by formal written notice from either party if there is joint agreement between the signatories to this MOU. Any amendments to this MOU are effective as of the date of the final signature.

VIII. Points of Contact

Bureau Office	Name	Title	Email	Phone Number
Office of Valuation Services	Robert Davidoff	Chief, OVS-Office of Minerals Evaluation	Robert_Davidoff@ios.doi.gov	(303) 969-5937
Bureau of Land Management	Mitchell Leverette	Chief, Solid Minerals Division-BLM	Mleveret@blm.gov	(202) 912-7113

IX. Approvals


Michael Nedd 6-20-13
 Date
 Assistant Director
 Minerals & Realty Management
 Bureau of Land Management


John W. Ross 6/20/13
 Date
 Director
 Office of Valuation Services
 Department of the Interior