

DOE/IG-0514

AUDIT
REPORT

ADMINISTRATIVE CONTROL
OF THE HANFORD REACH
NATIONAL MONUMENT



JULY 2001

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES



DEPARTMENT OF ENERGY
Washington, DC 20585

July 19, 2001

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman (Signed)
Inspector General

SUBJECT: INFORMATION: Audit Report on "Administrative Control of
the Hanford Reach National Monument"

BACKGROUND

In January 1997, the Office of Inspector General issued Report DOE/IG-0399, *Audit of the U.S. Department of Energy's Identification and Disposal of Nonessential Land*, which identified approximately 138,000 acres of land at the Hanford Site which were not essential to carrying out the Department of Energy's (Department) mission. In June 2000, the President created the 195,000 acre Hanford Reach National Monument (Monument) within the boundaries of the Department's Hanford Site near Richland, Washington. Although the Department maintains administrative control and jurisdiction over the land within the Monument, the Department of Interior's U.S. Fish and Wildlife Service manages about 84 percent of the land. The objective of the audit was to determine if the Department should retain administrative control of the land within the Monument.

RESULTS OF AUDIT

The audit disclosed that it was not in the Department's best interest to retain administrative control of all land within the Monument. We identified approximately 143,000 acres of land that could be transferred to the Department of Interior without adversely impacting operations at the Hanford Site. In fact, the land identified for transfer includes land in the Wahluke Slope, Arid Lands Ecology Reserve, and McGee Ranch/Riverland areas, which had previously been identified as nonessential for carrying out the Department's mission. Department officials stated that they were retaining administrative control of the land to provide safety buffers for site operations. As is discussed in our report, current conditions at the Site do not support this rationale. Further, available documentation suggested that the officials had concluded that retaining the land allowed the Department to provide enhanced financial assistance to local governments. We found that by transferring administrative control of the 143,000 acres, the Department could save about \$1.5 million per year in payments in lieu of taxes. In our view, it might well be more productive to use these funds to expedite the environmental remediation effort at Hanford.

Based on reviews at a number of sites, the Office of Inspector General has taken the position that, for economy and efficiency reasons, the Department's "footprint" should be kept to the absolute minimum consistent with programmatic obligations. Thus, we believe that expeditious action should be taken to transfer Hanford real property which is excess to the Department's needs.

MANAGEMENT REACTION

Management partially concurred with the finding and recommendation and is currently conducting a detailed analysis to review the costs and operational impacts of transferring portions of the Monument to the Department of Interior. However, management did not agree with the proposed transfer of about 58,000 acres within the Arid Lands Ecology Reserve portion of the Monument at this time. Management also disagreed with the cost savings estimate included in the audit report, stating that cost savings to the Federal Government as a whole are unknown and cannot be determined until a full analysis has been completed.

Management's commitment to perform an analysis of the costs and operational impacts of transferring a majority of land within the Monument is responsive to our recommendation. We are concerned, however, that such action was not taken in 1997 when this issue was first raised. We disagree with management's position that the Arid Lands Ecology Reserve should not be considered for transfer at this time. Since the U.S. Fish and Wildlife Service currently manages the Arid Lands Ecology Reserve, we see no practical reason why administrative control of this tract of land should not be transferred at the same time as the land within the Wahluke Slope and McGee Ranch/Riverland areas. Additionally, we recognize that actual cost savings could be different than the estimate described in the report. However, the estimated cost savings was based on the average assessed value per acre of land for making payments in lieu of taxes to local governments.

While the issue of direct payments in lieu of taxes is important, there are numerous considerations – such as the cost of providing security and surveillance; other overhead costs associated with retention of administrative control; and, liability in the event of an accident – which make transfer or disposal of excess Departmental real property beneficial.

Attachment

cc: Deputy Secretary
Under Secretary for Energy, Science and Environment
Assistant Secretary for Environmental Management

ADMINISTRATIVE CONTROL OF THE HANFORD REACH NATIONAL MONUMENT

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OVERVIEW

INTRODUCTION AND OBJECTIVE

In January 1997, the Office of Inspector General (OIG) issued Report DOE/IG-0399, *Audit of the U.S. Department of Energy's Identification and Disposal of Nonessential Land*. The audit concluded that approximately 309,000 acres of land, including about 138,000 acres of the Hanford Site, were not essential to carrying out the Department's mission. Management disagreed with the audit conclusion, stating that the Department should finish realigning itself to new missions before identifying and disposing of excess land. The Department planned to identify and dispose of excess land after the realignment was completed.

In September 1999, the Department issued the *Final Hanford Comprehensive Land-Use Plan Environmental Impact Statement*, designating the Wahluke Slope, Arid Lands Ecology Reserve, and McGee Ranch/Riverland areas as "preservation" areas. The land-use plan defined preservation areas as tracts of land managed for the preservation of archeological, cultural, ecological, and natural resources. Further, the Department stated that no new consumptive uses would be allowed in the preservation areas, and that public access to these areas would be limited to ensure that resource protection goals were met.

Finally, in June 2000, the President created the Hanford Reach National Monument (Monument) within the boundaries of the Hanford Site. The 195,000-acre Monument includes land in the Wahluke Slope, Arid Lands Ecology Reserve, and McGee Ranch/Riverland areas. The Monument is withdrawn from all forms of entry and disposition under public land laws, and off-road vehicle traffic is prohibited except for emergencies and Federally approved purposes. Furthermore, the Monument proclamation requires the Department of Interior's U.S. Fish and Wildlife Service to continue managing all Monument lands covered by existing agreements with the Department. Currently, the U.S. Fish and Wildlife Service manages about 84 percent of the land within the Monument and the Department manages the remaining 16 percent. The 138,000 acres identified in the prior OIG report as not essential to carrying out the Department's mission at the Hanford Site lie within the Monument.

The objective of the audit was to determine if the Department should retain administrative control of the land within the Monument.

**CONCLUSIONS AND
OBSERVATIONS**

The Department should not retain administrative control of all land within the Monument. About 143,000 acres of land within the Monument could be transferred to the Department of Interior without adversely impacting operations at the Hanford Site. The Department has retained control of the land to provide safety buffers for site operations and financial assistance for local governments. By transferring control of 143,000 acres of the Monument to the Department of Interior, the Department could save about \$1.5 million per year in payments in lieu of taxes.

In addition to DOE/IG-0399, the OIG has issued several other reports that identified problems with the Department's management of land. These reports are summarized in Appendix 3.

This audit identifies significant issues that management should consider when preparing its yearend assurance memorandum on internal controls.

(Signed)
Office of Inspector General

LAND NOT NEEDED BY THE DEPARTMENT

Land Could Be Transferred

The Department does not need to retain administrative control of all land within the Monument. About 143,000 acres of land within the Monument could be transferred to the Department of Interior without adversely impacting operations at the Hanford Site. The map in Appendix 2 shows the location of the land that could be transferred. This includes about 76,000 acres of the Wahluke Slope, 58,000 acres of the Arid Lands Ecology Reserve, and 9,000 acres in the McGee Ranch/Riverland areas. The Department should retain the remaining 52,000 acres of land within the Monument to provide safety buffers for continuing operations at the Hanford Site. Additionally, the Department has completed environmental cleanup of the 143,000 acres, and the Environmental Protection Agency has removed the land from its National Priorities List of cleanup sites.

Wahluke Slope

About 76,000 acres of the Wahluke Slope are available for transfer. This property originally served as a buffer zone for the Department's plutonium production reactors along the Columbia River. However, the Department shut down the last operating reactor at the Hanford Site in 1987. Additionally, the U.S. Fish and Wildlife Service and the Washington State Department of Fish and Wildlife started managing the Wahluke Slope as the Saddle Mountain National Wildlife Refuge and the Wahluke Slope Wildlife Recreation Area in 1971. In 1999, the U.S. Fish and Wildlife Service notified the Department of its intent to modify the 1971 permit. The modification resulted in the U.S. Fish and Wildlife Service managing all but 800 acres of the Wahluke Slope as a wildlife refuge.

Arid Lands Ecology Reserve

About 58,000 acres of the Arid Lands Ecology Reserve are available for transfer. This area also served as a buffer zone and has remained virtually undeveloped since being acquired by the Government over 50 years ago. In 1997, the Department granted the U.S. Fish and Wildlife Service a permit to manage the area. The U.S. Fish and Wildlife Service is currently preparing a comprehensive conservation plan to identify refuge management actions and bring the Arid Lands Ecology Reserve into the National Wildlife Refuge System.

McGee Ranch/Riverland Areas

About 9,000 acres in the McGee Ranch/Riverland areas are available for transfer. This tract of property lies between the Wahluke Slope and

the Arid Lands Ecology Reserve along the Hanford Site's western boundary. The Department used this property as a railway yard until 1954 and a munitions storage area for military exercises in the 1960s.

Safety and Security Buffers

We considered existing facility safety and security buffer zones in our analysis of the Department's need to retain ownership of the Monument. All of the land we identify as available for transfer lies outside the exclusive use zones (EUZ) that surround Hanford Site facilities. The Department uses EUZs at the Hanford Site to identify areas where access is restricted. Each facility's EUZ extends to the distance where danger from routine and accidental releases of radiation and hazardous chemicals diminishes to the point that routine public access can be allowed. Surrounding each EUZ is a larger area called an emergency-planning zone (EPZ). Although access restrictions are not required within an EPZ, the Department is responsible for ensuring that effective actions can be taken to minimize the impact of operational emergencies on public safety and health. We noted that the EPZs for several of the Hanford Site's facilities extend beyond the current site boundary. Therefore, we concluded that the Department does not need to retain administrative control of Monument lands simply because they lie within an EPZ.

Agencies Are Required to Release Lands Not Needed

Federal regulations require that executive agencies hold only that land necessary to economically and efficiently support agency missions. Specifically, Executive Order 12512, *Federal Real Property Management*, requires agencies to ensure the effective use of real property in support of mission-related activities. Additionally, the Federal Property and Administrative Services Act of 1949 requires agencies to review their real property holdings and identify property which is not needed, underutilized, or not being put to optimum use. Finally, the General Services Administration guidelines state that agencies should determine if all property holdings are essential for program requirements, and if buffer zones are being kept to a minimum when assessing the continuing need for land.

Land Was Retained to Provide Buffers and Financial Assistance

The Department has retained control of the land to provide safety buffers for site operations and financial assistance for local governments. The Department's draft Memorandum of Understanding (MOU) with the U.S. Fish and Wildlife Service for

Monument management states that retaining control of the land will allow the Department to ensure that the area continues to function as a safety buffer for continuing operations at the Hanford Site. However, not all the land is needed as a safety buffer. Also, according to the 1999 Hanford Site land-use plan, retaining control of Hanford Site lands would maximize the payments in lieu of taxes available to local communities. The Department estimated that it pays ten times more in payments in lieu of taxes than the Department of Interior would pay if it controlled the land.

**Department Could Save
About \$1.5 Million Per Year**

The Department could save about \$1.5 million per year by transferring 143,000 acres of the Monument to the Department of Interior. By applying the average assessed value per acre to the Monument lands available for transfer, we concluded that the Department could save about \$1.5 million of the \$3.4 million it pays annually in payments in lieu of taxes at the Hanford Site. In Fiscal Year 2000, the Department of Interior paid the State of Washington about \$4.2 million for payments in lieu taxes for about 11.5 million acres of Federally owned land in the state. By comparison, the Department pays about \$3.4 million per year for about 375,000 acres at the Hanford Site.

We recognize that the transfer of land to the Department of Interior would result in reduced payments in lieu of taxes to local governments, and the Department is committed to providing economic assistance to local communities. However, the Department should not hold land that is managed by another Federal agency solely to provide more financial assistance to local governments. Additionally, transferring this land to the Department of Interior would allow the Department to reprogram about \$1.5 million per year to further the Department's primary mission at the Hanford Site, which is waste cleanup and environmental remediation.

RECOMMENDATION

We recommend that the Manager, Richland Operations Office, identify specific Monument lands that could be transferred without adversely impacting Department operations, and request or initiate a transfer of the land to the Department of Interior.

**MANAGEMENT
REACTION**

Management partially concurred with the finding and recommendation and is conducting a detailed analysis to review the costs and operational impacts of transferring portions of the Monument lands to the Department of Interior. Upon completion of the analysis, expected in December 2001, the Department will begin discussions with the Department of Interior regarding transfer of administrative control of identified Monument lands. Management estimates that between 18 and 24 months may be required to fully finalize and implement a transfer.

However, management did not agree with the proposed transfer of land included in the Arid Lands Ecology Reserve at this time, stating that this tract of land supports a wide range of environmental, physical, chemical, and biological research conducted by scientists and educators working for Federal, state, private, industrial, and non-profit organizations. While research conducted on the Arid Lands Ecology Reserve supports the Hanford cleanup mission, it also supports the broader Department national mission of long-term science research and science education. Additionally, management noted that as the cleanup mission and efforts to shrink the site proceed, a portion of this area can be considered for transfer, taking into account the status of the Department's research mission at that time.

Management also did not agree with the estimate of cost savings, stating that the cost savings to the Federal government as a whole are unknown and cannot be determined until a full analysis has been completed. Cost savings would initially be offset by transaction costs associated with a land transfer.

AUDITOR COMMENTS

Management's decision to review the costs and operational impacts of transferring Monument lands to the Department of Interior is responsive to the audit recommendation. However, we disagree with management's position that the Arid Lands Ecology Reserve should not be considered for transfer to the Department of Interior at this time. Since the U.S. Fish and Wildlife Service already manages the Arid Lands Ecology Reserve, we see no practical reason why control of this tract should not be transferred to the Department of Interior at the same time as land within the Wahluke Slope and the McGee Ranch/Riverland areas.

The Department does not need to retain administrative control of the Arid Lands Ecology Reserve to support environmental, physical, chemical, and biological research conducted by state, private, industrial, or non-profit organizations. These organizations should negotiate for access rights with the Department of Interior. If the Department requires continuing access to this land to support the Hanford Site's cleanup mission, then a memorandum of understanding, or similar document, should be negotiated.

Finally, we acknowledge that the exact cost savings of a land transfer cannot be determined at this time. Our estimate of the cost savings is based on the average assessed value per acre of land for making payments in lieu of taxes to local governments. The actual cost savings could be significantly different depending on the amount of transaction costs, periodic increases in the Department's payments in lieu of taxes, and other factors, some of which offset each other.

Appendix 1

SCOPE

The audit was performed from February 27, 2001, to May 16, 2001, at the Office of Assistant Secretary for Environmental Management at Department Headquarters, and the Richland Operations Office in Richland, Washington. The scope of the audit was limited to the Department's administrative control of the 195,000-acre Hanford Reach National Monument.

METHODOLOGY

To accomplish the audit objective, we:

- Interviewed Department officials at Headquarters and the Richland Operations Office regarding land management activities;
- Reviewed information related to the Department's mission and the Hanford Reach National Monument;
- Analyzed the Department's September 1999 *Final Hanford Comprehensive Land-Use Plan Environmental Impact Statement*;
- Analyzed land-use maps, future land-use plans, and the need for buffer zones as presented in the 1999 land-use environmental impact statement; and,
- Calculated potential savings based on records of payments in lieu of taxes at the Hanford Site.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed the significant internal controls related to the Department's management of land at the Hanford Site. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We did not assess the reliability of computer processed data because computer processed data was not used during the audit.

Finally, we assessed the Department's compliance with the Government Performance and Results Act of 1993. The Department had not developed specific performance measures related to the transfer of land within a national monument because until the establishment of the Hanford Reach National Monument, it controlled no other national monument lands.

We held an exit conference with Richland Operations Office on July 13, 2001.

Appendix 3

PRIOR OFFICE OF INSPECTOR GENERAL REPORTS

The Office of Inspector General has issued several audit reports that identified problems with the Department's management of land.

- DOE/IG-0502, *Sale of Land at Oak Ridge*, May 2001. The audit concluded that the sale of 182 acres of land to a private developer in Oak Ridge, Tennessee was not an appropriate use of the special authorities granted to the Department under the Atomic Energy Act of 1954.
- DOE/IG-0469, *Land Conveyance and Transfer at Los Alamos National Laboratory*, April 2000. The audit concluded that the Department has not validated the cost estimates associated with the landlord activities for ten tracts of land identified for conveyance and transfer at Los Alamos.
- DOE/IG-0446, *Hanford Site Cleanup Objectives Inconsistent With Projected Land Uses*, June 1999. The audit determined that part of the Hanford Site was being cleaned for residential use even though land-use planning documents never envisioned such use.
- ER-L-99-01, *Audit of Sale of Land to an Oak Ridge Hospital*, November 1998. The audit questioned whether it was in the Government's best interest for the Oak Ridge Operations Office to exchange 3.5 acres of land for a 20-year use permit rather than sell property and deposit all proceeds into the U.S. Treasury.

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