



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

THE BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT'S FLIGHT SERVICES CONTRACT



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

Memorandum

SEP 04 2019

To: Scott A. Angelle
Director, Bureau of Safety and Environmental Enforcement

From: Mark L. Greenblatt
Inspector General

Subject: Final Evaluation Report – The Bureau of Safety and Environmental Enforcement's
Flight Services Contract
Report No. 2018-EAU-034

This memorandum transmits our final evaluation report on the Bureau of Safety and Environmental Enforcement's (BSEE's) flight services contract. We determined that BSEE's contract for helicopter flight services is the best mechanism to accomplish its offshore inspections, however, we identified issues that BSEE should address to reduce contract costs and safety risks.

We make five recommendations that, if implemented, will help BSEE reduce unnecessary flight safety risks and the potential for waste or abuse of its contract payments. Based on BSEE's response to our draft report, we consider the recommendations resolved but not implemented. We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget to track implementation.

If you have any questions regarding this memorandum or the subject report, please contact me at 202-208-5745.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

Table of Contents

Results in Brief	1
Introduction	2
Objective	2
Background	2
Findings.....	3
BSEE Should Enforce Its Authority to Access Refueling Stations in GOMR	3
BSEE Should Continue to Strengthen Its Flight Hour Verification Controls.....	4
Conclusion and Recommendations	7
Conclusion.....	7
Recommendations Summary.....	7
Appendix 1: Scope and Methodology.....	9
Scope	9
Methodology	9
Appendix 2: Bureau Response.....	11
Appendix 3: Recommendations Summary	15

Results in Brief

We evaluated the Bureau of Safety and Environmental Enforcement's (BSEE's) flight services contract in response to concerns regarding flight services in the Gulf of Mexico Region (GOMR). Safe and cost-effective transportation of inspection personnel to offshore oil and gas facilities is critical to BSEE's ability to conduct oversight and enforcement activities in GOMR. Our objective was to determine whether BSEE's \$316 million flight services contract is the best mechanism to accomplish its offshore inspections in GOMR.

We considered alternatives to BSEE's current flight services contract, including BSEE purchasing and maintaining its own fleet of helicopters. We also reviewed BSEE's own analysis of its flight services needs and transportation options. After considering the cost of purchasing and managing a Government fleet and timeliness of other modes of transportation, we found that contracting for helicopter flight services is the best mechanism to accomplish BSEE's offshore inspections in GOMR.

While BSEE has taken steps to assess its flight service needs to reduce costs, there are issues that impact contract costs and safety that BSEE must address. Specifically, a helicopter company in GOMR has denied BSEE's helicopter contractor, Era Helicopters, LLC (Era), access to refuel at its stations. Operators in GOMR contract with various companies to establish these refueling stations on operator-owned offshore facilities. Restricting access to these stations creates additional flight hour costs and safety risks from the extra flights to available refueling stations. The denial of access to refueling stations violates the Code of Federal Regulations, which states that all operators must provide access to refueling stations on their facilities for any helicopters BSEE uses to conduct inspections. BSEE also has not taken any enforcement action to address this fuel station restriction.

In addition, BSEE's internal controls associated with verification of helicopter flight hours should be strengthened. Existing weaknesses create an opportunity for the overstatement of flight hours. Era uses a paper-based flight log to document individual or multiple flight hours. We found BSEE no longer retains a copy of the flight log after a flight, allowing the log to be solely retained by its helicopter contractor. Moreover, BSEE does not always approve and sign all flight logs as required by the contract.

We make five recommendations to help BSEE address issues related to its helicopter flight services contract.

Introduction

Objective

To determine whether the Bureau of Safety and Environmental Enforcement's (BSEE's) flight services contract is the best mechanism to accomplish its offshore inspections in the Gulf of Mexico Region (GOMR).

See Appendix 1 for the scope and methodology of our evaluation.

Background

In 2016, BSEE awarded Era Helicopters, LLC (Era), a helicopter flight services contract to support the Bureau's offshore inspection services in GOMR. The contract, with an estimated value of \$316 million, covers a 5-year period, with a 6-month optional extension. The contract provides for around 4,000 flights each year. It also provides for the use of 35 helicopters, 24 of which are designated exclusively for BSEE's use. The remaining 11 helicopters are available for BSEE's use as needed.

The 2016 contract price is based on the combination of a fixed daily availability rate and actual flight time. The daily fixed rate varies by helicopter type, but BSEE is charged for each day a helicopter is available solely for BSEE's use. Era always charges BSEE the fixed daily availability rate for exclusive use helicopters unless the helicopter is unavailable for use (e.g., due to mechanical issues). In addition, BSEE pays for the flight time, which is calculated by multiplying the contracted usage rate by the amount of flight hours for each helicopter.

In 2017, BSEE put together the Helicopter Cost Reduction Team (HCRT) to explore ways to reduce the operating costs of its current flight services contract and assess its flight services need and transportation options. The HCRT made four recommendations that would result in a net reduction of four exclusive-use helicopters in GOMR districts. In addition, the team recommended increased onshore record reviews, schedule changes for inspectors, and increased overnight stays on facilities. The estimated cost savings from implementing these recommendations was \$5.9 million annually.

Findings

We found that contracting for helicopter flight services is the best mechanism to accomplish BSEE's offshore inspections in GOMR. We analyzed flight services contracts from 2006 to 2018¹ and inquired about similar contracts in the GOMR in making this determination. We also analyzed BSEE's options of purchasing and maintaining its own fleet of helicopters, using boats and other vessels, and sharing helicopters with other departments or agencies. In addition, we interviewed members of BSEE's HCRT and evaluated their determination. The HCRT took into consideration any and all alternatives to reduce BSEE's flight services contract. The HCRT determined that the flight services contract was the best option to accomplish its offshore inspections in GOMR and identified aircraft that could be eliminated from the contract to reduce the overall cost.

Although BSEE acted to reduce costs related to its helicopter flight services contract, we identified issues that should be addressed to reduce safety risks to personnel and the risk of waste or abuse related to the contract. Specifically, we found that a helicopter company has denied Era access to refuel at its stations in GOMR when Era is performing contracted flights for BSEE. In addition, we found areas for improvement in BSEE's internal controls regarding flight hours billed to the contract.

BSEE Should Enforce Its Authority to Access Refueling Stations in GOMR

One helicopter company that has refueling station contracts with operators in GOMR has denied Era access to its refueling stations, thereby increasing both the safety risk and costs associated with BSEE's flight services contract.

Operators are required under 30 Code of Federal Regulations (C.F.R.) § 250.132(a)(2) to provide BSEE's helicopter contractor access to refueling stations on their facilities. The C.F.R. states to operators, "When BSEE conducts an inspection, you must provide helicopter landing sites and refueling facilities for any helicopter we use to regulate offshore operations." In December 2014, BSEE issued a Notice to Lessees (NTL) outlining BSEE's interpretation of the regulation and emphasizing the operators' responsibility to provide access to refueling stations on its facilities, regardless of whether BSEE is conducting the inspection at the facility. The NTL also states BSEE's intention to issue an incident of noncompliance (INC) to operators when fuel is restricted at their facilities, however, BSEE has not issued one to date.

In 2015, BSEE received a letter from Congress that included a concern that BSEE was overstepping its authority by requiring access to refueling stations at operator facilities where inspections were not occurring. BSEE and the Office of the Solicitor (SOL) affirmed the clarification of the C.F.R. reflected in the NTL and the enforceability of the regulatory requirement.

¹ The current flight services contract began in September 2016 and includes option years that may extend it until September 2021.

In GOMR, fuel-sharing has been a common practice for decades because placing multiple refueling stations on a single platform is impracticable. Since 2016, Era has maintained fuel-sharing agreements with all but one of the contractors who own refueling stations in GOMR. While these agreements provide the terms and conditions for Era to access refueling stations as needed or upon request, regulations require operators to provide such access to any contractor BSEE uses for flight services, with or without those agreements in place.

Refueling station restrictions elevate the safety risk to BSEE personnel due to increased takeoffs and landings, which are the most dangerous parts of a helicopter flight. BSEE tracked one month of data to record additional takeoffs, landings, and flight time resulting from that denial of access. BSEE recorded 38 additional takeoffs and landings in that month. The additional flight time also increased BSEE's flight service contract costs. For example, in that same month, BSEE incurred 450 additional flight minutes, totaling \$7,500, due to refueling station restrictions.

In 2016, BSEE attempted to remediate this situation by sending a letter to GOMR operators who had refueling stations on their facilities with the company restricting BSEE's access to fuel. This letter explained the problem and informed the operators that BSEE planned to issue INCs if any companies they contract with deny BSEE access to their refueling stations. Even after the letter, BSEE has not issued any INCs, nor has it developed a plan to remediate the situation going forward. Further, BSEE worked with the SOL in drafting the NTL and responding to congressional requests regarding this issue. The SOL affirmed that BSEE has authority under the C.F.R. to issue INCs when denied access to refueling stations. The SOL did not identify any legal reason why BSEE could not enforce the authority granted under the C.F.R.

Recommendations

We recommend that BSEE:

1. Notify lessees and operators that they bear responsibility for the actions of their contractors in GOMR as it relates to 30 C.F.R. § 250.132(a)(2)
2. Enforce 30 C.F.R. § 250.132(a)(2), as clarified in the December 2014 Notice to Lessees, requiring operators to provide access to refueling stations for BSEE-contracted flights

BSEE Should Continue to Strengthen Its Flight Hour Verification Controls

Although we recognize that BSEE has established some controls to verify flight hours, we found two issues that affect the reliability of the data. First, BSEE relies primarily on its helicopter contractor's documentation to support charges for flight hours. Second, BSEE did not consistently sign the flight logs as required by the contract.

Without implementing internal control improvements to ensure that flight hours billed to the U.S. Government are accurate, BSEE increases its risk of paying costs for flight hours that were

not actually incurred. Even a 1 percent overstatement in the number of flight hours billed could impact the cost of the flight services contract by \$82,055 per year.

Currently, Era uses a paper-based flight log to document individual or multiple flight hours. The flight log is solely retained by Era before being uploaded to the Federal Business Management System for billing. In the past, BSEE inspectors retained a carbon copy of the flight log and provided it to the BSEE operations assistants for record and review purposes, however, this control recently ended when Era changed the flight log it uses to track flight hours. Since the only original copy of the flight log remains outside BSEE's control, it would be difficult for BSEE to identify any changes made to the flight log after it was signed. BSEE staff involved in the flight-hour billing process expressed concern with not obtaining a copy of the flight log. Staff also stated that it would not inconvenience inspectors to obtain a copy of the flight log and return it to the operations assistant after each flight.

BSEE's flight services contract stipulates that a U.S. Government representative must review, concur, and sign an aircraft use report, flight log, or other contracting officer-approved form. We found instances where BSEE inspectors were not signing the flight logs. We also found that some inspectors may sign the flight log, but not verify the hours or understand its purpose and content.

In addition, BSEE personnel must sometimes stay overnight on a facility, creating a situation where no BSEE personnel are present after the flight to verify flight hours and sign the flight log. In instances where a BSEE inspector was unable to verify the hours, BSEE does not have a control in place to ensure that the flight log was reviewed and signed upon completion of the flight.

BSEE regional staff took steps to address these findings. Specifically, BSEE's regional aviation manager developed procedures and training to educate operation assistants and inspectors on verifying helicopter flight hours. The procedures identify improvements in the flight hour verification process to strengthen internal controls. In addition, BSEE regional staff is working on a solution to ensure the flight log is signed even when an inspector does not return on a claimed flight.

BSEE informed us that Era is working on a new electronic process for recording flight time (e.g., locking the flight log upon obtaining the inspector's signature). BSEE, however, does not have a timeline for implementation and the features are still under development.

Recommendations

We recommend that BSEE:

3. Obtain a copy of the flight log immediately upon signature, or create an independent record, and deliver this to the BSEE operations assistant for record and review purposes
4. Provide training and guidance for inspectors on how to determine that hours flown are accurate before they sign the flight log and ensure all inspectors sign the flight log to confirm flight hours are accurate
5. Establish a flight log signature procedure for instances when a BSEE employee is not on a claimed flight (e.g., overnight stay) to assess the reasonableness of the claim

Conclusion and Recommendations

Conclusion

We found that BSEE's flight services contract is the best mechanism to accomplish offshore inspections in GOMR. While BSEE has reviewed its transportation needs and reduced costs associated with the contract, we also found that BSEE could further reduce unnecessary flight safety risks and the potential for waste or abuse of its contract.

BSEE relies on access to all refueling stations on operator facilities, as required by the C.F.R., to conduct essential regulatory oversight in GOMR. BSEE, therefore, should exercise its authority and require operators in GOMR to provide any BSEE-contracted helicopters access to refueling stations on their facilities. This would help reduce contract costs and safety risks from additional takeoffs and landings, which are the most dangerous parts of helicopter flights.

In addition, even though BSEE has implemented some internal controls for its flight hour verification process, we found weaknesses that could increase the risk of misstated flight hours and lead to inflated costs. Even a small overstatement could have a large financial impact on the Government and taxpayers.

Recommendations Summary

BSEE responded to our draft report on July 9, 2019, concurring with all five recommendations (see Appendix 2 for BSEE's full response). Based on BSEE's response, we consider the recommendations resolved but not implemented (see Appendix 3 for the status of recommendations). We modified Recommendation 2 to state that BSEE should enforce 30 C.F.R. § 250.132(a)(2), as clarified in the December 2014 Notice to Lessees (NTL), as opposed to enforcing the NTL.

We recommend that BSEE:

1. Notify lessees and operators that they bear responsibility for the actions of their contractors in GOMR as it relates to 30 C.F.R. § 250.132(a)(2)

BSEE Response: BSEE concurred with this recommendation. BSEE will reiterate to operators in GOMR that it will be enforcing 30 C.F.R. § 250.132(a)(2), consistent with the December 2014 Notice to Lessees, by issuing INCs if a BSEE aircraft is denied refueling. Additionally, BSEE will communicate its proposed INC action to the Offshore Operators Committee so the Committee can also communicate this message to members.

OIG Comment: Based on BSEE's response, we consider this recommendation resolved but not implemented.

2. Enforce 30 C.F.R. § 250.132(a)(2), as clarified in the December 2014 Notice to Lessees, requiring operators to provide access to refueling stations for BSEE-contracted flights

BSEE Response: BSEE concurred with this recommendation. BSEE will review this issue in depth before developing appropriate guidance and procedures to support district adjudication of potential failures to comply with the regulations.

OIG Comment: Based on BSEE's response, we consider this recommendation resolved but not implemented.

3. Obtain a copy of the flight log immediately upon signature, or create an independent record, and deliver this to the BSEE operations assistant for record and review purposes

BSEE Response: BSEE concurred with this recommendation. BSEE's GOMR will include this process in a flight log standard operating procedure that will be an appendix to the 2019 Regional Aviation Management Plan.

OIG Comment: Based on BSEE's response, we consider this recommendation resolved but not implemented.

4. Provide training and guidance for inspectors on how to determine that hours flown are accurate before they sign the flight log and ensure all inspectors sign the flight log to confirm flight hours are accurate

BSEE Response: BSEE concurred with this recommendation. BSEE's regional aviation manager in GOMR conducted training for district and regional offices between December 2018 and February 2019.

OIG Comment: Based on BSEE's response, we consider this recommendation resolved but not implemented. Once BSEE implements its flight log standard operating procedure in an appendix to the 2019 Regional Aviation Management Plan, we will consider the recommendation implemented through training and guidance.

5. Establish a flight log signature procedure for instances when a BSEE employee is not on a claimed flight (e.g., overnight stay) to assess the reasonableness of the claim

BSEE Response: BSEE concurred with this recommendation. BSEE's GOMR will include this process in a flight log standard operating procedure that will be an appendix to the 2019 Regional Aviation Management Plan.

OIG Comment: Based on BSEE's response, we consider this recommendation resolved but not implemented.

Appendix I: Scope and Methodology

Scope

We evaluated the Bureau of Safety and Environmental Enforcement's (BSEE's) three previous contracts for aviation services (2006 to present), and any other comparable Federal mechanisms.

Methodology

To accomplish the objective, the team:

- Gained an understanding of BSEE's inspection program related to its transportation needs
- Conducted site visits and telephone contacts as necessary to familiarize ourselves with BSEE's flight services needs and contract requirements
- Interviewed GOMR officials and staff personnel
- Interviewed BSEE Headquarters staff and other regional offices
- Interviewed Era Helicopters, LLC, and other bureaus involved in the program
- Observed processes and identified internal controls related to flight-hour verification
- Reviewed BSEE's flight services contracts from 2006 to present
- Reviewed budget, annual strategy, performance data, and other program information
- Reviewed BSEE's analysis of its flight services needs and transportation options related to its inspection program
- Conducted high-level analysis of BSEE's helicopter usage, to include flight hours and daily availability costs
- Identified promising practices

We visited the following sites:

- BSEE Gulf of Mexico Regional Office, New Orleans, LA
- BSEE district offices in Houma, LA, and New Orleans, LA
- Era Helicopters, LLC, office in Houma, LA

We also contacted and interviewed personnel from:

- BSEE Headquarters in Sterling, VA
- BSEE regional offices in Camarillo, CA, and Anchorage, AK
- BSEE district offices in Lafayette, LA; Lake Jackson, TX; and Lake Charles, LA
- Interior Business Center in Boise, ID
- Office of Aviation Services in Boise, ID
- Office of the Solicitor in Washington, DC

In total, we interviewed more than 30 individuals from multiple stakeholder organizations representing both the U.S. Government and the private sector.

Our evaluation included obtaining an understanding of internal controls over flight hour verification, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. BSEE and the Office of Aviation Services provided computer-generated data of BSEE's helicopter usage, which we used but did not test for completeness and accuracy.

We conducted our evaluation in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions and recommendations.

Appendix 2: Bureau Response

The Bureau of Safety and Environmental Enforcement's response to our draft report follows on page 12.



United States Department of the Interior

BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT
WASHINGTON, DC 20240-0001

JUL 9 2019

Memorandum

To: Stephen Hardgrove
Chief of Staff, Office of Inspector General

Through: Joseph R. Balash *[Signature]*
Assistant Secretary, Land and Minerals Management

From: Scott A. Angelle *[Signature]*
Director

Subject: Response to Draft Evaluation Report on Flight Services Contract
(2018-EAU-034)

The Department of the Interior (DOI) appreciates the Office of Inspector General's (OIG) interest in the Bureau of Safety and Enforcement's (BSEE) Flight Services Contract for the Gulf of Mexico Region (GOMR). The flight services contract provides critical support for BSEE's offshore inspection services in GOMR.

The stated OIG objective for this evaluation was to assess whether BSEE "is receiving the best overall value from its contract to transport inspection personnel to and from offshore oil and gas facilities" in GOMR. We concur with the OIG assessment that contracting for helicopter flight services is the best mechanism to accomplish BSEE's offshore inspections in GOMR. BSEE would like to clarify, however, that the OIG's stated objective differs from the original scope proposed by BSEE leadership in 2017 conversations with OIG senior officials. Specifically, Director Angelle asked whether the aviation standards identified by DOI precluded BSEE personnel from taking advantage of industry available flights.

BSEE generally concurs with the five report recommendations. We believe Recommendation 4 has been implemented based on training conducted by GOMR's Regional Aviation Manager in FY 2019 Q1 and Q2 (see recommendation response in Attachment 1 as well as documentation provided in Attachment 2). Regarding the remaining recommendations, actions to implement the recommendations, target dates, and responsible officials are provided in Attachment 1.

Should you or your staff have any questions concerning this response, please contact Linh Luu, Audit Liaison Officer, at 202.208.4120.

cc: Nancy Thomas, Office of Financial Management

Attachments

Attachment 1- Response to Recommendations

Recommendation 1: *Notify lessees and operators that they bear responsibility for the actions of their contractors in GOMR as it relates to 30 C.F.R. § 250.132(a)(2)*

Response: BSEE concurs with this recommendation. BSEE will reiterate to operators (verbally or by letter) in the Gulf of Mexico Region that BSEE will be enforcing 30 C.F.R. § 250.132(a)(2), consistent with the December 2014 Notice to Lessees, by issuing Incidents of Non Compliance (INC) if refueling a BSEE aircraft is denied. Additionally, BSEE's proposed INC action will be communicated to the Offshore Operators Committee so the Committee can also communicate this message to members.

Target Date: December 31, 2019

Responsible Official: Michael Saucier, Gulf of Mexico Region Supervisor for District Field Operations

Recommendation 2: *Enforce the December 2014 Notice to Lessees, based on 30 C.F.R. § 250.132(a)(2), requiring operators to provide access to refueling stations for BSEE-contracted flights*

Response: BSEE concurs with enforcing 30 C.F.R. § 250.132(a)(2), as clarified by the December 2014 NTL. BSEE will review this issue in depth before developing appropriate guidance and procedures to support district adjudication of potential failures to comply with the regulations.

Target Date: December 31, 2019

Responsible Official: Michael Saucier, Gulf of Mexico Region Supervisor for District Field Operations

Recommendation 3: *Obtain a copy of the flight log immediately upon signature, or create an independent record, and deliver this to the BSEE operations assistant for record and review purposes*

Response: BSEE concurs with this recommendation. GOMR will include this process in a flight log Standard Operating Procedure that will be an appendix to the 2019 Regional Aviation Management Plan.

Target Date: December 31, 2019

Responsible Official: Eric Brewton, GOMR Regional Aviation Manager

Recommendation 4: *Provide training and guidance for inspectors on how to determine that hours flown are accurate before they sign the flight log and ensure all inspectors sign the flight log to confirm flight hours are accurate*

Response: As shown in Attachment 2, GOMR's Regional Aviation Manager conducted training for GOMR Districts and Regional Office on the dates listed below. The training topics are shown in the PowerPoint slide deck.

- Lake Charles District – December 11, 2018
- New Orleans District - December 12, 2018
- Lafayette District – December 13, 2018
- Houma District -December 20, 2018
- Lake Jackson District – January 30, 2019
- GOMR Region – February 6, 2019

Target Date: Completed

Responsible Official: Eric Brewton, GOMR Regional Aviation Manager

Recommendation 5: *Establish a flight log signature procedure for instances when a BSEE employee is not on a claimed flight (e.g., overnight stay) to assess the reasonableness of the claim*

Response: BSEE concurs with the recommendation. GOMR will include this process in a flight log Standard Operating Procedure that will be an appendix to the 2019 Regional Aviation Management Plan.

Target Date: December 31, 2019

Responsible Official: Eric Brewton, GOMR Regional Aviation Manager

Appendix 3: Recommendations Summary

In its response to our draft report, the Bureau of Safety and Environmental Enforcement concurred with all five recommendations. We modified Recommendation 2 to state that BSEE should enforce 30 C.F.R. § 250.132(a)(2), as clarified in the December 2014 Notice to Lessees (NTL), as opposed to enforcing the NTL. BSEE's response included target dates and an action official for each recommendation (see Appendix 2). We consider these recommendations resolved but not implemented.

Recommendations	Status	Action Required
Recommendations 1 – 5	Resolved but not implemented	We will refer these recommendations to the Assistant Secretary for Policy, Management and Budget to track their implementation.

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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