

United States Government
Department of Energy
memorandum

DATE: January 8, 1997

REPLY TO

ATTN TO: IG-1

SUBJECT: INFORMATION: Report on "Audit of the U.S. Department
of Energy's Identification and Disposal of Nonessential
Land"

TO: The Secretary

BACKGROUND

The Department and its predecessor agencies acquired control of about 2.4 million acres of land to carry out wide-ranging programs. However, recent changes in the world's political climate have had a profound impact on the Department's mission and its need for this land. The Department's mission is now focused on weapons dismantlement, environmental clean-up, technology development, and scientific research. Because of these mission changes, the Office of Inspector General initiated an audit to determine whether the Department has any land holdings which are excess to current and anticipated future needs.

DISCUSSION

The Department retained about 309,000 acres of land (483 square miles) at the Hanford Site, Oak Ridge Reservation, and Idaho National Engineering Laboratory which, in our opinion, are not essential to carrying out current and foreseeable mission requirements. Rather than dispose of nonessential land, the Department issued a land use policy expanding land management activities and began developing new land uses by seeking public and private ideas. If the Department disposed of all nonessential land holdings at the three sites, land valued at approximately \$126 million could be transferred to other Federal or state agencies, or a portion sold for private uses. Further, the Department's liability for payments in lieu of taxes on purchased land could be reduced by \$1.7 million annually. Finally, the disposal of unneeded property could reduce landlord costs for such activities as periodic security force patrols and the maintenance of roads, fences, etc. and,

it would limit the Department's liability in the event of accidents and similar actions on the lands in question.

We recommended that the Department dispose of nonessential land holdings at Hanford, Oak Ridge, and Idaho; reevaluate requirements for all remaining Departmental land holdings against current and foreseeable requirements, and dispose of nonessential land; and reevaluate the policy of defining ecosystem management as a valid new use for and a basis for retaining Department owned or controlled real property.

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The Office of the Associate Deputy Secretary for Field Management did not concur with the audit finding or recommendations, stating that the Department should finish realigning itself to new missions before identifying and disposing of excess properties. Also, management stated that the recommendations appeared to be contrary to the Administration's ecosystem management policies.

The desire to defer property disposal until completion of the Department's realignment is understandable. However, the general viewpoint encountered during the audit indicated a predisposition to retain real property acquired over the years for Departmental functions, including those which are no longer in operation. Given the practical realities of the budget restrictions facing the Department, the stated policy objective to realign and streamline operations and the Secretarial initiative to dispose of unneeded Departmental assets, we concluded that the Department's policy toward real property retention should be revised.

(Signed)

John C. Layton
Inspector General

Attachment

cc:Deputy Secretary
Under Secretary

Associate Deputy Secretary for Field Management
Manager, Richland Operations Office
Manager, Oak Ridge Operations Office
Manager, Idaho Operations Office
Manager, Brookhaven Area Office

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

AUDIT OF THE U.S. DEPARTMENT OF ENERGY'S IDENTIFICATION
AND DISPOSAL OF NONESSENTIAL LAND

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This report can be obtained from the
U.S. Department of Energy
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AUDIT OF THE U.S. DEPARTMENT OF ENERGY'S IDENTIFICATION
AND DISPOSAL OF NONESSENTIAL LAND

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

AUDIT OF THE U.S. DEPARTMENT OF ENERGY'S IDENTIFICATION
AND DISPOSAL OF NONESSENTIAL LAND

Audit Report Number: DOE/IG-0399

SUMMARY

The Department of Energy (Department) and its predecessor agencies acquired control of about 2.4 million acres of land to carry out programs ranging from the design, production, and underground testing of nuclear weapons to electrical power marketing, energy conservation, and scientific research. The majority of this land has served as buffer zones for nuclear weapons production and research activities, and has remained relatively untouched for the last 50 years. However, recent changes in the world's political climate, such as the ending of the Cold War, have had a profound impact on the mission of the Department and its need for this land. For example, the Department has halted production and underground testing of nuclear weapons. Today, the Department's mission is focused on weapons dismantlement, environmental clean-up, technology development, and scientific research. Because of these mission changes, the Office of Inspector General initiated an audit to determine whether the Department has any land holdings which are excess to current and anticipated future needs.

The Richland, Oak Ridge and Idaho Operations Offices have retained about 309,000 acres (483 square miles) which, in our opinion, are not essential to carrying out the Department's current and foreseeable mission requirements. Rather than dispose of the land, the Department issued a land use policy expanding land management activities, and attempted to develop new land uses by seeking public and private ideas regarding future uses. If the Department disposed of all nonessential properties at the three sites, land valued at approximately \$126 million could be transferred for use by other Federal or state agencies, or a portion could be sold for private uses. Additionally, the Department could reduce its liability for payments in lieu of taxes on purchased property by about \$1.7 million annually. Further, the prompt disposal of unneeded property would reduce landlord costs for such activities as periodic security force patrols, maintenance of roads, fences and would limit the Department's liability in the event of accidents and similar actions on the property in question.

Management disagreed with the audit finding and recommendations. Management stated that the Department should finish realigning itself to new missions before identifying and disposing of excess properties. The Department plans to identify and dispose of excess land in accordance with Federal regulations after the realignment is concluded. Management stated that the audit did not consider non-monetary benefits from the Department's land uses. Also, management stated that the recommendations appeared to be contrary to the Administration's ecosystem management policies.

The general viewpoint encountered during the audit led to the conclusion that there was a predisposition to retain real property acquired over the years for Departmental functions, including those which were no longer in operation. Given the practical realities of the budget situation facing the Department, the policy to realign and streamline operations and the Secretarial initiative to dispose of unneeded Departmental assets, we concluded that the Department's policy toward real property retention should be revised. Specifically, the Department should:

aggressively identify and dispose of land which it no longer needs;

emphasize its core missions in making real property retention decisions; and,

ensure that the "burden of proof" in property retention decisions is placed on why the Department should retain rather than why the Department should dispose of real property.

(Signed)

Office of Inspector General

PART I

APPROACH AND OVERVIEW

INTRODUCTION

Changes in the world's political climate have had a profound impact on the Department. The end of the Cold War has allowed the Department to significantly reduce operations related to the design, production, and underground testing of nuclear weapons and reorient its mission toward developing new energy sources, environmental cleanup and scientific research while still contributing to national defense. In addition, overall Governmental reform programs such as the National Performance Review and internal operational reviews like the Department's Strategic Alignment Initiative have resulted in the Department's commitment to work better and cost less. To that end, the Office of Inspector General (OIG) initiated this audit with the objective of determining whether the Department has any land holdings which are excess to current and anticipated future needs.

SCOPE AND METHODOLOGY

The audit was performed from September 19, 1995, through May 14, 1996, at the Office of the Associate Deputy Secretary for Field Management in Washington, D.C.; Richland Operations Office in Richland, Washington; Oak Ridge Operations Office in Oak Ridge, Tennessee; Idaho Operations Office in Idaho Falls, Idaho; and Brookhaven Area Office in Brookhaven, New York. We judgmentally selected four facilities with production, environmental cleanup and scientific research missions for review. The Department's power

marketing administrations and petroleum reserves were excluded from the scope of the audit due to congressional action regarding the sale of some of these assets. To accomplish the audit objective, we:

- Reviewed Federal and Departmental requirements related to land management;
- Interviewed Departmental officials at headquarters and field offices regarding land management;
- Reviewed and analyzed land use and site development plans;
- Reviewed documentation related to past disposal actions; and
- Reviewed information related to the Department's overall mission and site specific missions at the facilities visited.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits. It included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed significant internal controls related to the Department's real property management and disposal activities. Because our review was limited, it would not necessarily have identified all internal control deficiencies that may have existed. Also, we did not conduct a reliability assessment of computer-processed data because only a very limited amount of computer-processed data was used during the audit.

The audit results were discussed with the Deputy Associate Deputy Secretary for Field Management and the Director, Office of Projects and Fixed Asset Management, Office of Field Management, on November 4, 1996.

BACKGROUND

The Department owns or otherwise controls almost 2.4 million acres of land, making it the fourth largest Federal land owner after the Departments of Interior, Agriculture, and Defense. The Department's land holdings are dispersed across 34 states and include 30 major operational facilities. The buffer zones surrounding many of these facilities consist of forests, grass prairies and shrub-steppe type lands.

The Department was reorganized along four programmatic lines (science and technology, environment, energy, and national security) and various supporting staff functions. The programmatic functions use real property to carry out the Department's current mission of:

- Contributing to the welfare of the Nation by providing the technical information and the scientific and educational foundation for the technology, policy, and institutional leadership necessary to achieve efficiency in energy use, diversity in energy sources, a more productive and competitive economy, improved environmental quality and a secure national defense.

The Department and predecessor agencies acquired ownership and control of mission related real property through a variety of methods. For example, land was withdrawn from the public domain, purchased on the open market, and in some instances, condemned. Also, if land was needed for only a limited time or a special purpose, property rights were obtained through the acquisition of easements, permits and other similar measures. Table 1 categorizes the Department's land holdings by acquisition method as of the end of Fiscal Year 1994.

Table 1
Departmental Land Holdings

Acquisition Method	Number of Acres	Percent of Total
Withdrawn from Public Domain	1,477,686	62
Purchased	651,042	27
Easement	187,836	8
Permit, License and Other	67,140	3
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TOTAL	2,383,704	100

As shown, about 62 percent of the Department's real property holdings consisted of lands withdrawn from the public domain. Unless withdrawn for use by a Federal agency, public domain lands are administered by the Department of Interior's Bureau of Land Management and are open to entry and use by the general public.

Since 1972, the Department has internally designated about 2 million acres at seven sites as national environmental research parks. These parks are intended to be outdoor laboratories that provide opportunities for environmental studies on protected lands that act as buffers around Departmental facilities.

The method by which the Department acquired land affects any subsequent disposal. For example, land originally withdrawn from the public domain, but no longer needed, must be returned to the public domain. Most agencies dispose of purchased land through the General Services Administration. However, unlike other Federal agencies, the Atomic Energy Act gave the Atomic Energy Commission and its successor agencies limited authority to sell, lease, grant and dispose of real property acquired in furtherance of the purpose of the Atomic Energy Act. The Secretary of Energy has delegated the authority to dispose of real property to field elements.

For real estate that was purchased by the Department and previously subject to property taxes, the Department is authorized, but not required, to make payments in lieu of taxes. These payments provide financial assistance to state and local governments for property taxes that were lost when the Department purchased the land.

The Office of Field Management has the overall responsibility for establishing Departmental policy for the management of real property. In order to fulfill this responsibility, the Office of Field Management established a headquarters real estate team. The real

estate team formulates policies used by field elements, maintains a comprehensive database of the Department's real property holdings, and advises field offices in the acquisition, use and disposal of real property. However, the actual authority to determine how much real property is needed by the Department and to declare real property excess to current and foreseeable needs rests with program secretarial officers and managers in the field.

Our audit disclosed material internal control weaknesses that management should consider when preparing its yearend assurance memorandum on internal controls.

PART II

FINDING AND RECOMMENDATIONS

Nonessential Land

Federal regulations require that executive agencies hold only that land necessary to economically and efficiently support mission related activities. However, the Department's Richland, Oak Ridge and Idaho Operations Offices retained about 309,000 acres which, in our opinion, were not essential to carrying out the Department's mission. Rather than dispose of land, the Department issued a land use policy expanding land management activities and sought public input regarding future uses. As a result, the Department is holding land valued at about \$126 million that could be used by other Federal or state agencies, or a portion could be sold for private use. Also, by disposing of land, the Department could reduce its liability for payments in lieu of taxes by about \$1.7 million annually.

RECOMMENDATIONS

We recommend that the Associate Deputy Secretary for Field Management, responsible program secretarial officers and field office managers:

1. Dispose of nonessential land identified in this report;
2. Reevaluate requirements for all remaining Departmental owned or controlled land against current and foreseeable requirements and dispose of nonessential land; and,
3. Reevaluate the policy of defining ecosystem management as a valid new use for and basis for retaining Department owned or controlled real property.

MANAGEMENT REACTION

Management disagreed with the audit finding and recommendations. Management stated that the Department is realigning itself to new missions, and it would be premature to dispose of land identified as nonessential in the report before the realignment is concluded. The Department will identify and dispose of excess land in accordance with Federal regulations after the realignment. Management stated that the audit did not consider non-monetary benefits from the Department's

land uses. Also, management stated that the recommendations appeared to be contrary to the Administration's ecosystem management policies.

Comments received from the Office of the Associate Deputy Secretary for Field Management and the Richland, Oak Ridge, and Idaho Operations Offices are summarized and addressed in Part III of this report. Additionally, as requested, we have included the complete text of the Office of the Associate Deputy Secretary for Field Management's comments as Appendix D to the report.

DETAILS OF FINDING

REQUIREMENTS FOR IDENTIFYING AND DISPOSING OF EXCESS LAND

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 executive agencies to ensure the effective use of real property in support of mission-related activities. Also, to stimulate the identification and reporting of excess real property and achieve maximum utilization, the Federal Property and Administrative Services Act of 1949, as amended, requires all executive agencies to periodically review their real property holdings. These reviews identify property which is "not needed," "underutilized," or "not being put to optimum use." Property determined to be excess should be promptly reported to the General Services Administration (GSA). Following are some of the questions the GSA developed for executive agencies to consider in identifying valid real property needs:

Is all of the property essential for program requirements?

Are buffer zones kept to a minimum?

Can the land be disposed of and program requirements satisfied through reserving rights and interests in the property?

Is the land being retained merely because it is landlocked?

Is the land being retained merely because it is considered undesirable due to topographical features or believed to be not disposable?

Is any portion of the property being retained primarily because the present boundaries are marked by existing fences, roads, and utility systems?

These questions are specifically applicable to purchased land. However, in the absence of other guidance, we believe it is reasonable to apply these same factors when assessing the need for land withdrawn from the public domain.

Departmental policy requires field activities to identify long-term mission needs and rationally plan for future site development. More specifically, policy requires that comprehensive land use plans

be developed based on mission needs, site and regional conditions, strategic goals, and other technical information such as the need for buffer zones. Also, disposals are to be made through the Department's certified realty specialists at field sites in accordance with statutory and regulatory requirements.

Finally, the Secretary of Energy's Fiscal Year 1996 Performance Agreement with the President calls for the development of comprehensive plans at 40 of the Department's 50 major sites. These comprehensive plans are intended to be the link between property planning, acquisition, use, and disposal. The Department issued a new order in August 1995 requiring field sites to initiate the comprehensive planning process for managing needed property, and identifying and disposing of excess land and facilities. The new order also requires that site-specific performance measures, based on best industry practices, be implemented to evaluate the effectiveness of the program. The Department is in the process of completing these plans.

NONESSENTIAL LAND HOLDINGS

The Richland, Oak Ridge, and Idaho Operations Offices retained about 309,000 acres of land which, in our opinion, were not essential to carrying out the Department's mission. About 138,000 acres at the Hanford Site, 16,000 acres at the Oak Ridge Reservation and 155,000 acres at the Idaho National Engineering Laboratory could potentially be disposed of without adversely impacting current and planned operations at these sites. Based on current and planned operations, Brookhaven National Laboratory did not appear to have any nonessential land. The three sites with nonessential land are discussed below.

Hanford Site

The Hanford Site (Hanford), located in southeastern Washington along the banks of the Columbia River, encompasses about 560 square miles (358,000 acres). The Government purchased about 73 percent (261,000 acres) of the site from individual landowners. The remaining 27 percent (97,000 acres) of the site was obtained via land withdrawals and transfers from the Department of Interior. The North Slope and the Fitzner-Eberhardt Arid Lands Ecological Reserve (ALE) were both acquired in the 1940s to support the site's original defense production mission. Today, these two tracts are being maintained to support the Richland Operations Office's three pronged mission of site clean-up, science and technology, and economic diversification.

North Slope

About 78,000 acres of the North Slope appeared to be nonessential for mission requirements. In total, the North Slope consists of about 89,000 acres that have remained undeveloped since Hanford was established in 1943. About 52,000 acres were purchased from individual landowners and the remaining 37,000 acres were withdrawn or transferred from the Department of Interior. This tract initially served as a buffer zone for the Department's plutonium production reactors along the Columbia River. However, Hanford's last operating reactor was shut down in 1991. In 1971, the Atomic Energy Commission granted a use permit for the North Slope tract to the U.S. Fish and

Wildlife Service and the Washington State Department of Fish and Wildlife. Today, these two agencies manage the Department's North Slope property as the Saddle Mountain National Wildlife Refuge and the Wahluke Slope Wildlife Recreation Area. Future land use maps and planning documents for Hanford did not identify or project any Departmental development of the North Slope property.

A small amount of the North Slope was contaminated in the past. This nonradioactive contamination occurred primarily from old NIKE missile test sites and pre-Hanford Site homestead debris. The contaminated areas were remediated and revegetated during 1994 and 1995.

In November 1988, Congress enacted legislation directing the Department of Interior to study the North Slope tract for potential designation as a National Wild and Scenic River. The legislation also directed that for an 8-year period, any projects or activities on this tract should be designed to minimize adverse impacts to the property's potential for future designation as a National Wild and Scenic River. As a result of this legislation, the Department of Interior prepared a Comprehensive River Conservation Study and Environmental Impact Statement for the Hanford Reach of the Columbia River. The study proposed designating 49.5 miles of the Columbia River as a National Wild and Scenic River and approximately 102,000 acres of adjacent lands as a National Wildlife Refuge, managed by the U.S. Fish and Wildlife Service. The Richland Operations Office considered the legislation to prohibit disposal of the Department's North Slope land holdings during the effective term of the legislation. The land use restrictions Congress placed on the North Slope expired in November 1996.

Fitzner-Eberhardt Arid Lands Ecological Reserve

About 60,000 acres of the ALE appeared to be nonessential. In total, the ALE consists of about 77,000 acres that have remained virtually undeveloped since acquired in 1943 as a security buffer zone. The small portion of the ALE that was contaminated from prior activities was cleaned up and revegetated in 1994 and 1995. About 62,000 acres of this tract were purchased from individual land owners and the remaining 15,000 acres were withdrawn from the public domain. As one of seven environmental research parks, the ALE is managed by Battelle Pacific Northwest National Laboratory. Hanford land use planning documents do not identify any future development for the ALE.

The Department contemplated for several years what to do with the ALE tract. In 1993, the Department announced that environmental remediation work on the ALE would be completed within one year. After that, the ALE could potentially have been declared excess to the Department's needs. However, the Bureau of Land Management subsequently expressed an interest in pursuing a land exchange with the Department whereby the Bureau of Land Management would have acquired management authority over the ALE. The Yakima Indian Nation then proposed that the ALE be placed under its authority. As a result of these proposals, the Department co-hosted a public meeting in May 1995 to gauge public sentiment regarding potential future uses for the ALE. The Department's representative at the meeting explained that a decision would be made in approximately 90 days as to what course of

action would be taken regarding the ALE.

On July 31, 1996, the Department announced that it would not dispose of the ALE or transfer ownership to another agency. Instead, the Department planned to enter into an agreement with the U.S. Fish and Wildlife Service to manage the area to protect its natural resources and cultural values and allow increased access for appropriate activities. The Department concluded that it needed to retain ownership of the ALE because of its function as a buffer zone. In addition, the Department believed that changing Hanford's boundaries would create a requirement for costly studies and analyses to ensure compliance with environmental and safety standards. Finally, the Department believed that retaining ownership of the ALE best recognized the shared values of most of the interested parties and afforded full protection of the Yakima Indian Nation's rights and interests.

Retention of the North Slope and ALE

The Department concluded that it needed to retain ownership of the North Slope and the ALE as a buffer zone to protect public health and safety, and the area's environmental integrity. After completion of our audit field work, the Department issued its draft Hanford Remedial Action Environmental Impact Statement and Comprehensive Land Use Plan, stating that a portion of the North Slope and the ALE would be retained as a buffer zone. About 11,000 acres (12 percent) of the North Slope and 17,000 acres (22 percent) of the ALE were determined to be within exclusive use zones (EUZs). An EUZ is defined by the Department as the area around each facility that extends from the facility fence line to a point where the threat posed to the public from routine and accidental releases diminishes to the extent that routine public access can be allowed. The size and shape of an EUZ is determined by the most restrictive safety analysis report or hazard assessment and is based on the facility's inventory of contaminants, potential release mechanisms, and atmospheric transport parameters. The sites EUZs were established using boundaries calculated for individual facilities whose postulated accidents had the maximum impact on public health.

Surrounding each EUZ is a larger area called an emergency planning zone (EPZ). EPZs are defined as the areas surrounding each facility for which planning and preparedness efforts are carried out to ensure that prompt and effective actions can be taken to minimize the impact to onsite workers' and the public's health and safety in the event of an operational emergency. The boundary of an EPZ extends from the facility to the distance where special planning and preparedness efforts are no longer required. Although access restrictions are not required within an EPZ, the Department would be responsible for ensuring adequate planning and preparedness requirements for every person within the EPZ.

Based on criteria concerning the need for EUZs, we agreed that all portions of the North Slope and ALE within existing EUZs should be retained. However, there appears to be no basis to retain the larger acreage that falls within the EPZs. The Department does not now own or control all land within the EPZs at this site, and does not plan to acquire the land where the EPZs extend beyond the site's

boundary onto privately owned land. This demonstrates that the Department does not need to maintain ownership or control of all land within an EPZ.

As previously noted, for the past 25 years the North Slope has been operated under a use permit by the U. S. Fish and Wildlife Service and the Washington State Department of Fish and Wildlife. More recently, the Department announced that it would enter into an agreement with the U. S. Fish and Wildlife Service to assume management of the ALE. Since management and use of these areas have been or will be delegated to other agencies with missions which are aligned with those activities, the continuing need for the Department to retain ownership of this land is questionable. This conclusion was confirmed by our review of local Departmental land use maps and planning documents for both the North Slope and ALE which did not identify or project any future development of the property.

Oak Ridge Reservation

The Oak Ridge Reservation (Oak Ridge) is comprised of about 54 square miles (34,500 acres) in East Tennessee along the Clinch River. The Government purchased this property from individual landowners in 1942 for nuclear weapons production activities and buffer zones. The Department estimated that 10 to 20 percent of the site had been developed for Departmental facilities and that only 5 to 10 percent of the site's land area has been earmarked for environmental cleanup.

The audit concluded that nearly one-half of the Oak Ridge site, or 16,000 acres, is not essential to carrying out the site's current missions of environmental restoration and waste management, energy research and development, weapons dismantlement, and storage of nuclear material. Most of these 16,000 acres lie within the Department's local environmental research park and have remained undeveloped.

An environmental research park can be a valuable resource for protecting a region's various species of plants and wildlife and providing a laboratory for scientific research and environmental monitoring. However, the need for the Department to retain ownership of such a large area is questionable. As of November 29, 1995, the Department had a total of 30 active environmental research projects in the park which used about 17 percent of the park's acreage. In addition, the Department had installed several biological monitoring stations in the park. If all this land is truly needed for a research park, we believe it would be more appropriate if the land were owned and controlled by an agency whose mission was more closely aligned to the management of forests and the conservation of fish, wildlife, natural resources, and historical sites. The Department's ongoing research projects could continue regardless of who owned or controlled the property.

The Oak Ridge Operations Office did not believe that any of its current land holdings were underutilized or that they should be released. Management maintained in its official 1988 site development plan and in its draft 1994 site development plan that all current land holdings were being used for one or more purposes, including the environmental research park.

However, a series of past real estate transactions by the Oak Ridge Operations Office was not consistent with its contention that all land holdings were essential to its mission. It appeared as though the Oak Ridge Operations Office held land until local entities expressed an interest in acquiring or using the property. For example, in 1988 the Oak Ridge Operations Office declared approximately 734 acres excess to Departmental needs after the City of Oak Ridge (City) expressed an interest in acquiring the property. The City eventually purchased 756 acres in 3 separate transactions for about \$2 million. In 1995, the Oak Ridge Operations Office planned to sell another 100-acre parcel to the City, which in turn, planned to sell the land to an Oak Ridge company looking for additional space to expand its operations. To accommodate the sale, the Oak Ridge Operations Office requested that the Office of Field Management declare the land excess to Departmental needs and available for disposal. In February 1996, the Office of Field Management officially declared the 100-acre parcel excess to Departmental needs.

Also, in January 1996, the Oak Ridge Operations Office leased 957 acres to the East Tennessee Economic Council for development of an industrial park. This no-cost lease was for 10 years with a 30-year renewal option. The Department anticipated that the industrial park would partially offset the local economic consequences of downsizing the Oak Ridge work force. During negotiations for the lease, the Oak Ridge Operations Office requested that the Office of Field Management approve a lease term of 99 years. Although the request was denied, it clearly suggests that the land was not needed by the Oak Ridge Operations Office and that the parcel was suitable for permanent disposal via transfer to another agency or sale.

These examples suggest that large portions of the Oak Ridge site may not be needed for current and foreseeable mission requirements. They also suggest that the Oak Ridge Operations Office retained nonessential land until the City or some other entity expressed an interest in acquiring or using the land.

Idaho National Engineering Laboratory

The Idaho National Engineering Laboratory (INEL) consists of about 890 square miles (570,000 acres) in southeastern Idaho. The Department acquired about 90 percent of the INEL site through land withdrawals from the Bureau of Land Management in the 1940s and 1950s. The remaining acreage was purchased from the State of Idaho and individual land owners. Today, much of INEL consists of undeveloped land used as buffer zones for reactor areas, waste management, research activities, and open space.

In our opinion, about 27 percent of the INEL site, or 155,000 acres, is not essential to carrying out the site's current missions of infrastructure testing, environmental management, nuclear materials disposition, applied engineering and systems integration, and technology demonstration and transfer. Future land use maps and planning documents showed that the Department intended to continue developing the INEL site within a shrinking centralized area over the next 100 years. Additionally, no development was planned in the buffer zones surrounding the site's centralized facilities.

Nonetheless, the Idaho Operations Office maintained that the site was properly sized for current and future programs, and did not anticipate changing present site boundaries over the next 100 years.

The Department has designated the entire INEL site to be an environmental research park. The park has been used to study the movement of radionuclides through the environment, the effects of habitat alteration on vegetation and wildlife, and biological indicators of pollutants. The park has also been used to establish ecological baseline data for future impact comparisons. In addition, the entire INEL site was described as being culturally significant. For example, the Shoshone-Bannock Tribes (Tribes) consider the site to lie within their aboriginal homeland. The Tribes consider many of the site's caves and buttes to be sacred and important in preserving their history and heritage. Agreements between the Department and the Tribes allow tribal members free access to certain areas of the site. Furthermore, according to the 1868 Treaty of Fort Bridger, the Tribes' rights to subsistence and traditional activities are protected on unoccupied Federal lands; therefore, if the site eventually becomes excess to the Federal Government's needs, the Tribes could exercise their full treaty rights to the site.

Current land uses suggest that major portions of the site may not be essential to the Department's mission. For example, between 300,000 and 350,000 acres of INEL's buffer zones are permitted out by the Bureau of Land Management for sheep and cattle grazing to local ranchers with the following restrictions: grazing is not allowed within two miles of any nuclear facility; and, dairy cattle are not permitted. In addition to the grazing permits, the U.S. Sheep Experiment Station uses a 900-acre portion of the site as a winter feedlot for about 5,000 sheep.

Like the Oak Ridge Operations Office, the Idaho Operations Office determined that a parcel of land was no longer needed to carry out the site's mission after local communities expressed an interest in obtaining it. In January 1994, the Department returned 1,120 acres of withdrawn land to the Bureau of Land Management so that title for the land could be transferred from the Federal Government to the local counties for use as a multi-county landfill.

REASONS FOR RETAINING LAND

In recent years, the Department acknowledged that its mission had changed significantly and that some of its land may no longer be needed. As a result, the Department began seeking ideas from all interested parties regarding new uses for real property. This approach was evidenced in a December 1994 Secretarial policy initiative and its accompanying booklet, Stewards of a National Resource. The Department's new land management policy was to manage land and facilities as valuable national resources based on principles of ecosystem management and sustainable development. Mission, economic, ecological, social and cultural factors were to be integrated into comprehensive site plans to be developed with stakeholder participation. The booklet accompanying the new policy initiative made the following statements regarding the future of Department-owned or controlled real property across the United States.

Events of the past several years have had a profound impact on the mission of the Department of Energy. Most notably, the end of the Cold War has made it possible for us to reorient our mission ...

A relatively small proportion of our sites were actually used for production and research activities and therefore require clean-up. The majority of our 2.4 million acres were used as buffer lands and have been relatively untouched for 50 years. It is these lands in particular where we are exploring new uses.

These new uses will reach beyond beating swords into plowshares and cleaning up production facilities. They will include ecosystem protection, economic development and industrial competitiveness.

To be successful we need your ideas. Please let us know if you, or your city, company, county, organization, state, tribe or neighbors have ideas regarding: business proposals, research and development partnerships, historic or cultural resources, parks and recreation, or anything else that involves public or private sector use of our land and facilities.

Although the Department publicly acknowledged that it may have vast amounts of unneeded land, it has not initiated many disposal activities. In the instances where disposals have occurred, they appear to have occurred primarily after outside entities expressed an interest in acquiring or using the Department's real property. Thus, it appears the Department's initiative of expanding land management roles and seeking public ideas regarding new land uses will result in the Department continuing to retain land until outside entities express an interest in obtaining land rights or until new programmatic uses evolve or can be developed.

POTENTIAL BENEFITS OF DISPOSAL

The audit disclosed that the Department is holding about 309,000 acres, valued at about \$126 million, that could be transferred for use by other Federal or state agencies, or a portion potentially sold for private uses. About 180,000 acres, valued at about \$46 million, were obtained from the Department of Interior and should be returned to that agency. The remaining 129,000 acres, valued at about \$80 million, were originally purchased by the Department and could potentially be sold if not transferred to other agencies for their use. In addition, disposing of the 129,000 acres of purchased property would reduce the Department's annual liability for payments in lieu of taxes by about \$1.7 million.

Land values at Hanford, Oak Ridge and INEL were estimated at \$370, \$2,550 and \$220 per acre, respectively, based on prior sales values or recent property tax assessments. At Hanford, for example, the Department sold 640 acres of the site to the State of Washington for \$370 per acre in 1980. In 1992 and 1993, the Department sold 704 acres to the City of Oak Ridge at an average price of \$2,550 per acre. Since we were unable to identify any Departmental land sales at INEL, land values were based on the sites lowest property tax assessment

value of \$220 per acre. Management, in responding to drafts of this report, expressed disagreement with these estimates. While we believe the value estimates are conservative, actual land values could vary widely. Factors such as location, topography and soil type, access to roads and water, current development of adjoining property and demand rates for land could significantly affect the value of land at all three locations.

Furthermore, prompt disposal of unneeded property could significantly reduce the Department's liability for payments in lieu of taxes. The potential savings (detailed at Table 2) would result from eliminating the Department's annual liability for making payments in lieu of taxes to local county and city governments on purchased property.

Table 2
Potential Reduction In Annual Payments In Lieu Of Taxes Liability

Site	Purchased Acreage	Reduced Annual Tax Liability
Hanford:		
North Slope	43,000	\$ 700,000
ALE	51,000	230,000
Oak Ridge	16,000	710,000
INEL	19,000	30,000
	-----	-----
TOTALS	129,000	\$1,670,000

The annual savings from payments in lieu of taxes were based on property tax data supplied by local counties in Washington, Tennessee, and Idaho. The disposal of unneeded property would also reduce landlord costs for such activities as periodic security force patrols, maintenance of roads, fences, etc. and would limit the Department's liability in the event of accidents and similar actions on the property in question.

The Department could incur significant costs in disposing of nonessential land. The costs of returning land to the public domain, transferring land to other agencies or actual sale could not be accurately quantified during the audit. These costs could include preparing the minimum required environmental, archeological and cultural certifications to show compliance with laws such as: the National Environmental Policy Act; the Comprehensive Environmental Response, Compensation and Liability Act; the National Historic Preservation Act; and the Archeological Resources Protection Act.

Finally, based on the condition identified at the Hanford Site, Oak Ridge Reservation, and Idaho National Engineering Laboratory, it is probable that other Departmental field sites are also retaining more land than necessary to meet current and foreseeable mission requirements.

MANAGEMENT AND AUDITOR COMMENTS

Management disagreed with the audit finding and recommendations. Management stated that the Department is realigning itself to new missions, and it would be premature to dispose of land identified as nonessential in the report before the realignment is concluded. The Department plans to identify and dispose of excess land in accordance with Federal regulations after the realignment. Management stated that the audit did not consider non-monetary benefits from the Department's wise and diverse use of land holdings. Also, management stated that the audit recommendations appeared to be contrary to the Administration's ecosystem management policies.

Management's main points were that: (1) the original need for the land still exists; (2) the Department's policy is to identify compatible uses for land while supporting current mission requirements; (3) ongoing processes are adequate to identify and dispose of excess land; (4) even if the land were not needed, disposal would be costly; and (5) the audit estimates of fair market values were inaccurate. We received extensive comments from the Office of the Associate Deputy Secretary for Field Management and the Richland, Oak Ridge, and Idaho Operations Offices in response to previous drafts of this report. Their comments are summarized and addressed below. Additionally, as requested, we have included the complete text of the Office of the Associate Deputy Secretary for Field Management's comments as Appendix D to the report.

CONTINUING MISSION NEED

Management Comments. The original need for the land still exists. The need for buffers to capture the chemical and radiological contaminants from scientifically postulated accidents should be emphasized.

Auditor Comments. We agree the Department should retain ownership or exclusive control of land within exclusive use zones, where severely limited access is warranted. However, the Department does not need to own or control all land within wider ranging emergency planning zones, where public access restrictions are not required. Our estimates of nonessential land take these factors into account. For example, no land within a Hanford facility's exclusive use zone was considered nonessential.

LAND USE POLICY

Management Comments. The Department's policy is to support its missions with the appropriate amount of land while searching for additional compatible uses. Mission requirements for land change over time as new projects are born in Congress and when the landlord program changes. The Department believes that ecosystem sustainability and management to further compliance with environmental laws and ongoing missions is a valid new use or approach. Also, public input is needed for future decisions. The public's involvement in the cleanup and other decisions involving ecosystem protection and management could save tremendous amounts of money and resolve issues.

Auditor Comments. Other compatible uses may be sought for land

that the Department must retain to support its core missions. This includes buffer zones for reasonable, likely, and scientifically postulated accidents. While the Department must attempt to protect ecological and cultural resources on land required for its core missions, we do not believe that such protection should justify retaining uncontaminated land outside facilities and their required minimum buffer zones. The Department of Interior is the nation's principal conservation agency. Its mission includes fostering the sound use of land; protecting fish, wildlife, and biological diversity; preserving the environmental and cultural values of national parks and historical places; and helping Native Americans manage their own affairs under the trust relationship to the Federal Government. These specific activities are carried out by the Department of Interior's U.S. Fish and Wildlife Service, National Park Service, National Biological Service, and Bureau of Indian Affairs.

With regard to changing land needs and new projects, where documentation existed, preferred development areas and projected land uses as far out as 100 years were considered in making our determinations of nonessential land. Also, we agree the public's involvement could result in significant reductions in clean-up costs.

ONGOING ASSET MANAGEMENT PROCESS

Management Comments. The Department's ongoing processes are adequate to identify and dispose of excess land. Each site is required to identify long-term programmatic mission needs and rationally plan for future development. When excess property is identified, disposals are made through the Department's certified realty specialists in the field. Every year, land and facilities are routinely determined to be excess to the Department's needs and disposed of through appropriate means. The Department sold the Pinellas Site to the local county in 1995. Additionally, the Department commenced negotiations to sell the Mound Site to the City of Miamisburg in August 1996. Small areas at Hanford and INEL are also being disposed of through the existing process.

The Oak Ridge Operations Office did not agree that it held excess land until local entities expressed an interest in acquiring it. Management stated while land has been sold to the City of Oak Ridge (City) under the self-sufficiency program, requests by the City for other parcels were denied on the basis that those parcels were not excess to the needs of the Department. The determination of excess may emerge as a result of an inquiry from the City, but it does not follow that the land was already deemed excess by the Department and being held for the City. The Oak Ridge Operations Office reviews its land holdings on a continual basis rather than the previously required 5-year basis.

The Oak Ridge Operations Office agreed that the 957-acre lease to the East Tennessee Economic Council clearly suggests the land was not needed. However, it does not mean that it should have been transferred to GSA for disposal. The Defense Authorization Act for Fiscal Year 1994 provides authority to use land under the control of the Department that is not needed to further the goal of economic development.

Auditor Comments. At the four sites reviewed, the Department determined that only a few small tracts of vacant land were excess in recent years. Also, the properties were not determined to be excess until after the local communities expressed an interest in acquiring them. Therefore, we do not consider the ongoing processes to be adequate.

DISPOSAL COST

Management Comments. Even if the land were not required to support missions and were truly excess, disposal is not cheap and cannot be done overnight. Before the land could be disposed of, the Department would have to assess fair market values, verify and certify that the land meets Environmental Protection Agency standards, and in some cases clean up the site, develop institutional controls, perform long-term monitoring, develop security systems, and make infrastructure modifications.

The Richland Operations Office stated that the Hanford lands proposed for transfer have extensive groundwater contamination that must be addressed before the land could be transferred. Current technology does not allow easy or early remediation of the groundwater. Transfer of the lands and implementation of new or alternative land uses could worsen the contamination and accelerate the migration of contamination.

The Oak Ridge Operations Office stated that the preparation of environmental analysis and documentation to support the disposal as required under the National Environmental Policy Act is a time-consuming and costly endeavor. Additional costs would be incurred for documentation related to the protection of cultural and archeological resources. These requirements would not be eliminated by the transfer of land to GSA. Finally, elimination of buffer zones would require additional modeling and analysis, and possibly changes to Oak Ridge operations and waste management activities to ensure continued compliance with various laws and regulations.

The Idaho Operations Office stated that some of INEL's lands proposed for transfer may be contaminated with hazardous substances. Current work schedules indicate the evaluations required to remove the site from the National Priorities List will be completed in 2000. Additionally, the potential exists for unexploded ordinance to reside on some of the land considered as candidate for transfer. This may necessitate land transfer deed restrictions to minimize Departmental liability.

The Idaho Operations Office also stated that a reduction of the INEL borders would require new or revised safety analyses, a more aggressive public information and public warning system, and increases in security staffing and equipment. Management estimated that updating safety analysis reports would cost well in excess of \$1 million and revising emergency planning documents would cost over \$100,000. In addition, management provided an estimate of \$1.3 million annually for increases in security staffing and a one-time cost of \$100,000 for additional security equipment. A reduction in the borders could also affect current and future INEL missions. Further, agreements between the Idaho Operations Office and the

Shoshone-Bannock Tribes regarding the management of cultural resources would have to be renegotiated. A recent Presidential memorandum commits the Department to consulting with tribal governments to address tribal rights and concerns prior to making decisions or implementing programs that may affect tribes.

Finally, the Idaho Operations Office estimated that downsizing the INEL site would require the Department to spend about \$3 million to conduct an archeological survey of 256,000 acres. This does not include preparation of the requisite reports on all historic properties, required consultation with the Idaho State Historic Preservation Office and the Advisory Council on Historic Preservation to assess the effect on any historic properties located in the area, preparation of mitigation plans to address any adverse impact to those properties, or implementation of those mitigation plans prior to actual disposal, all of which are required by Federal law.

Auditor Comments. We agree that the Department could incur significant costs in disposing of nonessential lands. As stated in Part II, we could not quantify the potential costs because sufficient data were not available during our review. Also, while costs will be incurred to prepare land for disposal, many of these costs will likely be incurred in order for the Department to meet its environmental restoration goals.

With respect to potential groundwater contamination at Hanford, according to data provided, the areas of the North Slope and ALE identified as nonessential do not have groundwater contamination. Even if the areas were affected by groundwater contamination, the land could be transferred with deed covenants that preclude drilling for groundwater, excavating minerals, and restricting development.

With respect to the potential contamination of nonessential lands at INEL, none of the land identified as nonessential lies within the areas identified by the Department as contaminated with hazardous substances or unexploded ordinance. Also, even though the site is on the National Priorities List, it is possible to dispose of unneeded portions of the site without costly site-wide environmental assessments. For example, the Department returned 1,120 acres to the Bureau of Land Management in 1994 for use as a multi-county landfill without completing an extensive site-wide assessment. The Department spent approximately \$2,400 in certifying that the 1,120 acres were suitable for return to the public domain. The counties assumed the cost for conducting any required archeological review of the property.

Based on the Department's prior experience in disposing of excess land at INEL and Oak Ridge, it is questionable whether the Department would be required to spend millions of dollars to perform environmental and cultural assessments; upgrade public information and warning systems; increase its security resources; and conduct other activities associated with downsizing the site in order to dispose of nonessential, uncontaminated portions of the site.

ESTIMATE OF FAIR MARKET VALUE

Management Comments. Management stated that the report is inaccurate in its calculation of a \$73 million potential gain for the

Treasury. Fair market appraisals are needed to establish land value estimates. The report's use of prior sales and tax assessments are gross simplifications of fair market value. Several factors were cited that may affect land value, but no adjustments were made. The report also failed to consider other important valuation factors such as: (1) lands at Hanford and INEL require irrigation and are subject to "no new irrigation" restrictions, (2) extensive parts of Richland and Oak Ridge cannot be farmed or developed due to topology and geology, (3) the presence of endangered species at all sites depresses the economic value while adding to other uncosted liabilities, and (4) major sales at the volume contemplated in the report could create an oversupply which would depress the value of property within the economic region.

Based on the factors cited in the report and above, buyers and appraisers would deeply discount the report's estimate to a fraction of the \$73 million.

The Oak Ridge Operations Office stated that the report appears predicated on the assumption that all 16,000 acres would be transferred to other agencies at fair market value or sold to the public under competitive bidding procedures. If the acreage were reported to GSA as excess, the land would almost certainly be acquired by a state or local public agency (the University of Tennessee is a likely candidate) at no cost or much less than fair market value. Under state or local ownership, the land would continue its tax exempt status.

Auditor Comments. The report does not conclude or recommend that all nonessential land be sold. We simply estimated the value of nonessential land holdings at the three sites. We agree that the best way to obtain an accurate estimate of land values is to obtain fair market appraisals. However, it would not have been prudent for the auditors to acquire precise appraisals for the estimates used in this report. Instead, the auditors used the best information available at the sites. Also, we agree that some of the land identified at each of the sites has limited value for various reasons. Nevertheless, we believe the overall estimate is conservative for the reasons explained in Part II. Finally, we agree that neither the Department nor any other Federal agency should attempt to sell major volumes of land at any one time in a limited market area.

With regard to the Oak Ridge Operations Office's comments, the land we identified as nonessential has a certain inherent value regardless of whether it is sold via competitive bid, transferred to another agency at no cost, or retained by the Department. The estimate of \$2,550 per acre was based on two recent land sales by the Department. After completion of our audit field work, the Department agreed that the entire Oak Ridge Reservation was fairly valued at \$4,000 per acre for payments in lieu of taxes to the City of Oak Ridge and two local counties. Compared to the payments in lieu of taxes valuation the Department agreed to, our estimate appears very conservative. Also, the Department would benefit even if the land were transferred, at no cost, to a state agency like the University of Tennessee by reducing its annual liability for payments in lieu of taxes.

OTHER MATTERS

We noted that the Oak Ridge Operations Office sold small parcels of land to the City of Oak Ridge (City) for resale to local businesses. For example, the Department sold 53 acres to the City for \$210,800 in June 1988. The City resold the land on the same day to a local developer for \$280,782, or \$69,982 more. The Department knew in advance that the City had agreed to sell the land to the developer for about one-third more than it paid the Government.

The Department plans to continue selling land to the City for resale to local businesses. In September 1995, the City requested that the Department sell it another 100 acres so the City could resell the property to a local waste management company. Since the company was unable to buy land directly from the Department, it arranged to acquire the land through the City. As of February 1996, the Department declared the land excess and sold it to the City.

We concluded that the Department should exercise great care in disposing of Government-owned land. Specifically, all interested parties should be given the opportunity to acquire such property. In so doing, the Department would ensure that it receives fair market value for the property and any potential revenues to the U.S. Treasury would be maximized. By implementing the recommendations in Part II of this report, the Department would avoid retaining nonessential land until the City has identified a buyer. Finally, we believe the Department should discontinue the practice of selling land to the City when it knows in advance that the City plans to resell the land without competition.

Management Comments. The Oak Ridge Operations Office disagreed with the audit conclusion. The property previously sold to the City of Oak Ridge was in furtherance of a 1979 Secretarial initiative to assist in making the City and Roane and Anderson Counties financially self-sufficient so that community assistance payments could cease. In addition to 3 parcels already sold to the City under the self-sufficiency program, the City identified 19 additional parcels it wanted to acquire. The City was notified that except for the 19 parcels, the Department's authority to sell land directly to the City under the self-sufficiency program had lapsed. From the outset of the self-sufficiency program, the Department knew that the City intended to resell any land it bought in order for it to be developed and brought onto the property tax roles. The Department assured that taxpayers received fair market value for the land by obtaining appraisals prior to the sales. Even if the City did resell the land at a higher price, it did not negate the fairness of the price the Department received.

Auditor Comments. Under the Department's self-sufficiency agreement with the City, the Department may offer the 8,000 acres contained in the 19 self-sufficiency parcels to the City at fair market value. However, if the City declines to purchase any of the land at its fair market value, then the land should be disposed of by the Department according to standard Federal practices. Furthermore, we agree that the use of appraisals is a good starting point in assuring the fairness of land prices. However, other factors, such as

knowledge of an advance agreement to sell the property for one-third more than the appraised value, must also be considered in determining the fair market value. Of course, the best way to determine fair market value is to solicit bids from all potential buyers.

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