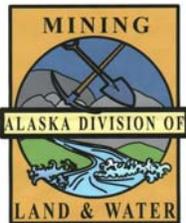


ANNUAL SUMMARY EVALUATION
of the
ALASKA ABANDONED MINE LANDS RECLAMATION PROGRAM
for
EVALUATION YEAR 2005
(July 1, 2004, through June 30, 2005)



August 22, 2005



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ACRONYMS

AAMLRP	Alaska Abandoned Mine Lands Reclamation Program
ABACIS	Advanced Budget and Accounting Control and Information System
AKSAS	Alaska Statewide Accounting System
AML	Abandoned Mine Land
AMLIS	Abandoned Mine Land Inventory System
AMR	Abandoned Mine Reclamation
ASAP	Automated Standard for Application (U.S. Dept of the Treasury)
DFD	Denver Field Division (of the Office of Surface Mining)
DNR	Alaska Department of Natural Resources
FAM	Federal Assistance (grants) Manual
NAAMLPL	National Association of Abandoned Mine Land Programs
OIG	Office of the Inspector General (of the U.S. Dept. of the Interior)
OSM	Office of Surface Mining (of the U.S. Dept. of the Interior)
RSA	Reimbursable Services Agreement
SMCRA	Surface Mining Control and Reclamation Act of 1977, as amended
USDA	United States Department of Agriculture
USDI	United States Department of the Interior
USFS	Forest Service (of the U.S. Dept. of Agriculture)

I. Introduction

Title IV of the Surface Mining Control and Reclamation Act of 1977 (SMCRA or “the Act”) established the Abandoned Mine Reclamation Fund. The Fund’s primary purpose is to pay for mitigation of past mining effects. The Office of Surface Mining Reclamation and Enforcement (OSM) administers the Fund on behalf of the Secretary of the Interior. OSM awards grants to States and Tribes from the Fund to pay their administration costs and reclaim abandoned mines. SMCRA puts the highest priority on correcting the most serious abandoned mine land (AML) problems that endanger public health, safety, general welfare, and property. OSM and State and Tribal AML programs work together to achieve the goals of the national program. OSM also works cooperatively with the States and Tribes to monitor their AML programs.

Directive AML-22 generally describes how OSM evaluates State and Tribal AML reclamation programs in “enhancement and performance reviews.” Following that Directive, a team of State and Federal personnel has been evaluating the Alaska Abandoned Mine Lands Reclamation Program (AAMLRP) since January 1996. The team includes representatives of AAMLRP and OSM’s Denver Field Division (DFD). Team members during the 2005 evaluation period included: Joe Wehrman, Manager, AAMLRP; Frank Atencio, Grants Management Specialist, OSM-DFD; Ginger Kaldenbach, Senior AML Project Manager, OSM-DFD; and Ron Sassaman, Environmental Protection Specialist, OSM-DFD.

This report summarizes our review and evaluation of the Alaska Abandoned Mine Lands Reclamation Program for the 2005 evaluation year, which included the period of July 1, 2004, through June 30, 2005.

II. General Information on the Alaska Program

On December 23, 1983, the Secretary of the Interior approved Alaska’s AML reclamation plan (“State reclamation plan”) under Title IV of SMCRA. That approval allows Alaska to reclaim abandoned mines in the State in non-emergency AML projects. Effective November 16, 1992, the Secretary approved Alaska’s AML emergency response reclamation program. AAMLRP is part of the Division of Mining, Land and Water Management in the Department of Natural Resources (DNR). It administers Alaska’s AML program under its approved plan. The Denver Field Division of OSM’s Western Region works with AAMLRP to fund and approve AML projects in Alaska and to evaluate AML reclamation and other aspects of the Program.

Section 405(f) of SMCRA authorizes State and Tribal AML programs to apply to OSM each year for a grant to support their programs and reclaim specific projects. OSM awards grants to AAMLRP to fund the Program’s administration costs for the period of July 1st of one year through June 30th of the following year. The same grants award construction funding that is available to the Program during the same period for each of three years after the initial grant award date.

AAMLRP's 2004 grant totaled \$1,525,000. Administration funding supported 5.625 full-time equivalents. The grant's construction component funded 2 coal projects and 1 noncoal project and project maintenance. The grant also included \$25,000 for emergency reclamation projects.

OSM awarded AAMLRP a total of \$1,525,619 in its 2005 grant. That grant funds 5.675 full-time equivalents and other program administration costs. It also funds three coal and four noncoal reclamation projects, project planning and inventory, and project maintenance costs. Twenty-five thousand dollars are included in the grant award for emergency projects.

Alaska did not have any SMCRA-funded emergency AML projects in the 2004 or 2005 evaluation years.

The State does not have an OSM-approved subsidence insurance protection program. AAMLRP notes that subsidence on coal mine properties has never been a significant or documented occurrence or concern in Alaska.

III. Noteworthy Accomplishments

In March 2005, AAMLRP hosted the mid-winter meeting of the National Association of Abandoned Mine Land Programs in Anchorage.

AAMLRP worked to increase the rate at which its projects proceed through planning to construction to reduce a project backlog. While its improved momentum probably will be impeded by devoting most available funding to completing a major phase for the Jonesville fire project, the Program continues to work on other projects in cooperation with Federal land management agencies, as noted below and in Part V of this report.

The Program also developed a project closeout report that it will use to ensure the data it enters into AMLIS are accurate and match data in its files. More information about the closeout report is found in Part IV.A below.

AAMLRP continued to partner with the U.S. Department of Agriculture, Forest Service, and the U.S. Department of the Interior, National Park Service, to reclaim abandoned mine hazards on public lands in the State. The Program usually provided construction materials and transport and Federal agencies supplied the labor and other supporting resources. Occasionally, Federal agencies also performed environmental analyses that AAMLRP and OSM used to document compliance with the National Environmental Policy Act and related requirements. This mutually-beneficial relationship helps AAMLRP leverage its SMCRA funding to abate AML hazards while taking advantage of other agencies' available resources and relative proximity to reclamation project areas.

IV. Results of Enhancement and Performance Review

We updated the current “Alaska AML Evaluation Team Performance Agreement” to describe the principles of excellence and performance measures that we planned to review in the 2005 evaluation year. We finalized the updated agreement on April 28, 2005.

Principles of excellence and performance measures emphasize on-the-ground or end-results as much as possible. Each general principle of excellence has one or more specific performance measure(s). Performance measures describe: Why we selected that topic; what the review population and sample sizes will be; how we will do the review and report the results; and our schedule for completing the review. The principles of excellence and specific performance measures we chose for our 2005 evaluation of the Alaska Abandoned Mine Lands Reclamation Program are:

Principle of Excellence 2: The State AML procedures are efficient and effective.

- *Performance Measure (d):* Does the State have a system in place to make sure the data it enters into AMLIS match data in its files?

Principle of Excellence 3: The State has systems to properly manage AML funds.

- *Performance Measure (e):* Are the costs of the State AML program activities appropriately documented and supported?

Results of our 2005 evaluation are described below in Parts IV.A and B. Our evaluations included interviews of AAMLRP and Division staff and documentation of grant transactions at AAMLRP’s office. We described our evaluation results in much greater detail in an enhancement and performance review report for each of the 2(d) and 3(d) performance measures. Those reports are on file in OSM’s Denver Field Division and are the factual basis of this report’s summary of our evaluations of performance measures 2(d) and 3(e).

A. Summary Evaluation of Performance Measure 2(d)

In September 2004, the U.S. Department of the Interior, Office of the Inspector General (OIG), issued report number 2003-I-0074 based on its review of AMLIS data for four eastern States’ abandoned mine land (AML) programs. That report criticized the accuracy of the AMLIS data, concluding that AMLIS data did not match data in the respective States’ files. In part, the OIG recommended establishing “a quality control system that ensures that States, Tribes, and OSM, as applicable, review and certify the accuracy of data entered into AMLIS.”

OSM responded to the OIG’s recommendation with two new requirements for program evaluations. The first requires OSM field offices to “assure that each State and Indian Tribe AML program has procedures in place to ensure and certify the accuracy of data

entered into AMLIS” as part of the FY2004 oversight (subsequently changed to the 2005 evaluation year). This 2005 review of the 2(d) performance measure fulfills the first new requirement.

The second new requirement will involve comparing data in AMLIS to corresponding data in the State’s files to see if they match. We developed a second new performance measure that we will review in the 2006 evaluation year to fulfill that requirement.

For the purposes of this evaluation and subsequent annual evaluations, we consider AAMLRP’s new project closeout reports to be its “system” for ensuring that completion data Alaska enters into AMLIS match data in its files. AAMLRP will use data from the Alaska Statewide Accounting System (AKSAS) and its project closeout reports to update AMLIS.

Project closeout reports contain the information Alaska will use to update AMLIS for completed reclamation. The report includes: Identifying information, including the Alaska program code, AMLIS Problem Area Description (PAD) number, the source grant(s), Alaska Parks Contract number, and an interagency cooperative agreement number; the dates on which AAMLRP entered and verified AMLIS data and the names of persons who did so; A project overview; a list of construction / mitigation contract information; a description of how costs were allocated; and a cost allocation spreadsheet. The project overview includes descriptions of: Work done; the project’s location; how the work was done and methods used by hazard; accomplishments and total costs by AMLIS keyword; and any issues remaining to be addressed. The list of construction / mitigation contract information describes: Individual providers; purchase order numbers; the hazard types involved; a comparison of the engineer’s estimate to the bid(s) received; dates work started and ended; change orders; and the total project cost. The cost allocation spreadsheet includes two tables. One presents detailed physical, closure, and cost data by individual AMLIS keyword feature. The second summarizes the total numbers of features addressed and their costs by AMLIS keyword. Total cost figures of the two tables would be equal.

Project managers will be required to complete the closeout reports upon project completion and will use them to update AMLIS within 30 days of project completion or one week of final payment, whichever is later. The Program Manager will review data in AMLIS against the closeout reports for quality control at least quarterly.

Use of the project closeout report should ensure the accuracy and consistency of Alaska’s completion data in AMLIS and its files. It standardizes reporting of features by AMLIS keyword types and provides a quality control check. With reasonable care, we expect Alaska’s use of this system will ensure the Program’s AMLIS data match data in its files.

B. Summary Evaluation of Performance Measure 3(c)

Principle of Excellence 3 recognizes that the State must have systems to properly manage AML Funds. We evaluated performance measure 3(c) to determine if AAMLRP appropriately documents and supports its activities. We interviewed staff responsible for transactions involving the Program's grants, focusing on transactions that occurred during fiscal years 2004 or 2005 and the most current information available. This was the first time we evaluated this performance measure.

We found that the State has adequate systems in place to properly manage AML funds. Furthermore, it has a good internal system of controls to identify and account for transactions that involve funds granted to it by OSM. All account records that we looked at were current and complete with an adequate paper trail. All pertinent documents and source records are kept in their proper files for ease of retrieval. We believe that proper safeguards are in place to prevent any waste, fraud or abuse of Federal funds. Further safeguards are in place as only the Division Director and the AML Manager are authorized to approve AML purchases and transactions. The Team further concludes that AML transactions are properly recorded and classified.

Our review included the General Funds Appropriations Report, the Obligated Capital funds report, Reimbursable Service Agreements (RSA's), Automated Standard Application for Payment (ASAP) Draw-Down Reports, Employee Time Sheets, Travel Logs, and the latest summary of the State-Wide Single Audit Report for FY 2004. We also looked at journal entries and program ledgers to determine if transactions and their expenditures were properly charged to the AMLR Program.

The General Funds Appropriations Report contains the Obligated Operating Fund Report for Title IV AML Federal Grants. This ensures AAMLRP only uses sub-allotted funds awarded for that program. The Obligated Capital Funds report further sub-divides funds and tracks them as they are obligated or expended. Construction appropriation numbers are assigned to each open AML grant to keep track of funds encumbered for coal and noncoal projects.

Alaska's Division of Mining, Land and Water Management has a signed Reimbursable Services Agreement (RSA) with the DNR's Division of Parks Design and Construction. The Division of Parks' professional engineers review and approve AAMLRP's project designs and specifications. They also help with construction bids and oversee projects on-site as requested by AAMLRP. RSAs cover only authorized personnel services and travel expenses for actual costs incurred while performing duties specified by each RSA. The RSA's we reviewed were properly negotiated and agreed upon.

We also reviewed a sample of drawdown and disbursements for two active AML grants. Information provided by ASAP drawdown reports and Advanced Budget and Accounting Control and Information System (ABACIS) Grant Detail Reports compared to Alaska's documented disbursements indicated that the State expends funds on a timely basis and keeps no excess cash on hand. Further, the State operates on the funds

reimbursement method and keeps a monthly Billing Report of all accounts for which it has expended funds. Alaska is in compliance with the cash balance requirements of the Federal Assistance Manual. The Program continues to operate on a cash reimbursement basis.

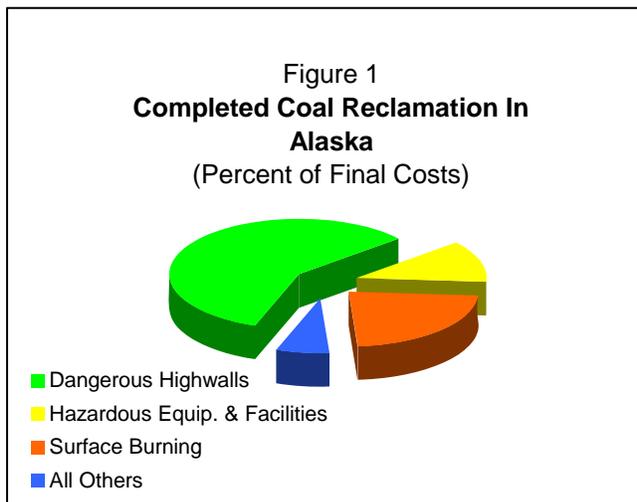
The State keeps individual time sheets for each full- or part time employee of the Division of Mining, Land and Water Management. Time worked for AAMLRP is charged to that program accordingly using a distinct account code. The time sheets are kept up to date and in a secure location.

Travelers complete individual travel authorizations for each trip to be approved by the AAMLRP Manager. Upon return travelers fill out a Claim for Travel Reimbursement and submit it along with recipes for approval and submittal to the DNR's accounting office for reimbursement. All travel records are kept in a centralized location. The Division Director must approve all out-of-State travel. Further, the DNR Commissioner must give advance approval of all out-of-State travel regardless of the funding source. We found the travel records to be comprehensive and in good order.

Finally, we reviewed the latest audit findings of the State Legislature, Legislative Budget and Audit Committee, Division of Legislative Audit. That audit made no new recommendations during the Fiscal Year 2004 statewide single audit. That finding of no new audit issues applied to the entire DNR.

V. Accomplishments and Inventory Reports

Title IV of SMCRA stresses reclamation of abandoned coal mine-related problems because a fee that active mines pay per ton of coal produced generates the AMR Fund. At the same time, a State that has not certified the completion of all its known coal reclamation, such as Alaska, may request funding to abate priority 1 noncoal mine hazards under section 409(c) of SMCRA upon request by the Governor. Alaska's reclamation and inventory address coal and noncoal problems.



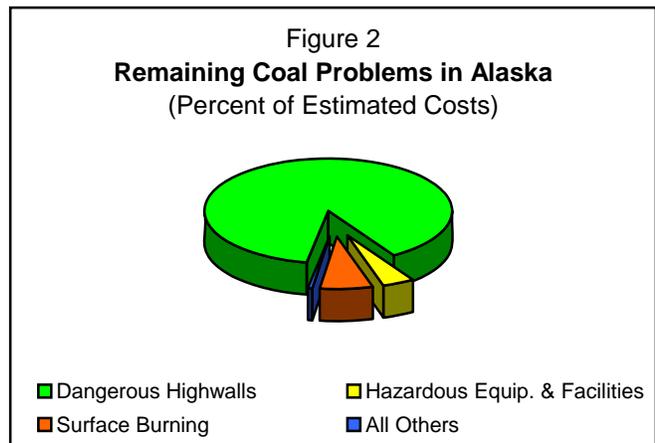
Appendix 1 shows AAMLRP spent over \$10.9 million to reclaim abandoned coal mine problems since the Secretary approved its program in late 1983. The Program's coal accomplishments to date include reclamation of 10,220 linear feet of dangerous highwalls, 1,460 hazardous structures and pieces of equipment, 47 acres of spoil areas and almost 21 acres of surface burning. Its reclamation of priority 1 vertical openings, hazardous equipment and facilities, and dangerous piles and embankments made up about 3 percent

of that total cost. Over 96 percent of the \$10.9 million used for coal reclamation went to AAMLRP's reclamation of priority 2 problems, including dangerous highwalls (58.4%), surface burning (22.8%) and hazardous equipment and facilities (12.2%). Completed priority 3 reclamation required slightly less than 1 percent of the \$10.9 million spent for coal reclamation. Figure 1 (above) compares AAMLRP's final costs of reclaiming priority 1, 2, and 3 abandoned coal mine problems.

AAMLRP worked on two coal projects during the 2005 evaluation period. It removed hazardous waste materials from one project area, with more materials to be removed at a later date. Of the \$1.3 million in coal reclamation shown in AMLIS as funded at the end of the 2005 evaluation year, a total of \$300,000 is for this coal project. Work on the second project (a burning coal waste pile) involved planning for the second phase of reclamation. That construction is scheduled to begin in the third quarter of calendar year 2005. The remaining \$1 million of the \$1.3 million in funded coal work shown in AMLIS is for work on this burning coal waste pile.

Figure 2 (below right) is a comparison of the estimated costs of reclaiming unfunded abandoned coal mine problems in the State. AMLIS data for unfunded problems are based on preliminary field inventories and cost estimates. In that context, Alaska has over \$38.2 million in inventoried unfunded coal problems. Priority 1 coal problems comprise about 3.9 percent of that total estimated cost.

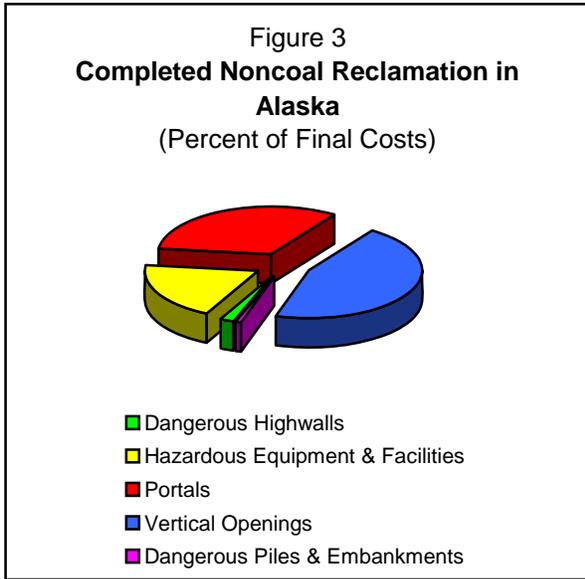
Priority 2 coal problems constitute about 96 percent of that estimated cost, with dangerous highwalls requiring most of that estimated cost of abatement. Unfunded priority 3 problems make up just over 0.1 percent of the estimated unfunded cost of coal reclamation in Alaska. AAMLRP began refining its data in AMLIS during the 2005 evaluation period. A continuing part of that effort will involved a comprehensive field review of inventoried, unfunded abandoned coal mine problems throughout the State, including highwalls. Based on that review, the Program will determine if inventoried problems still warrant abatement and will explore methods of reclaiming them if they do.



AAMLRP also reclaims abandoned noncoal mine hazards under section 409(c) of SMCRA. The Program worked on four noncoal projects in partnerships with Federal land management agencies during the 2005 evaluation year. Three of the four projects were on National Forest lands and addressed about three portals and one vertical opening. AAMLRP completed planning in cooperation with the Forest Service for one of those projects, which is scheduled for construction in the third and fourth quarters of calendar year 2005. The Program provided materials and transport for the other two projects, which the Forest Service completed by providing labor and other support. The

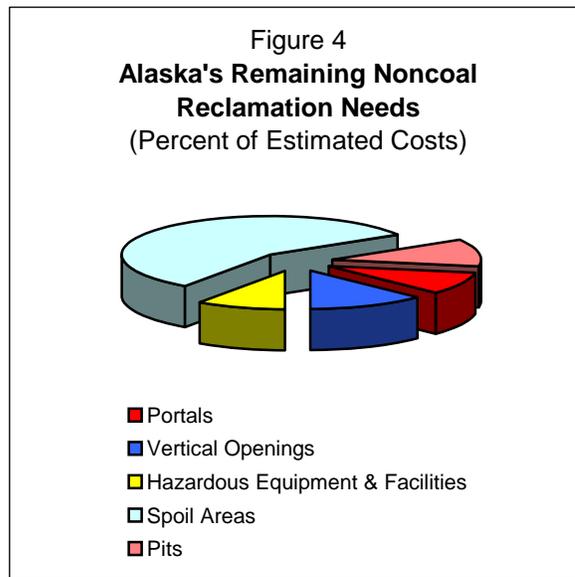
fourth noncoal project is a cooperative effort between AAMLRP and the National Park Service. Construction is tentatively planned for the remaining part of the 2005 construction season and will close two portals in a National Park.

Noncoal reclamation AAMLRP completed to date abated priority 1 hazards. Figure 3



(left) compares the final costs of reclaiming each type of inventoried noncoal hazard based on AMLIS data. Vertical openings required over 47.5 percent of the \$680,426 that AAMLRP spent by the end of the 2005 period on noncoal reclamation, followed by over 29 percent for portal closures, over 20 percent to address hazardous equipment and facilities, and 3.5 percent to reclaim dangerous highwalls, piles and embankments. Completed noncoal reclamation abated hazards attendant to 31 vertical openings, 22 portals, 8 dangerous structures or pieces of equipment, two acres of dangerous piles and embankments, and 70 linear feet of dangerous highwalls.

Alaska's inventory of unfunded noncoal problems is incomplete for State, Native, and private lands. AMLIS does not depict the full scope of Alaska's unfunded noncoal problem in terms of problem type units or estimated costs, which are based on preliminary data and rough estimates, respectively. It also does not necessarily reflect what the Program plans to address in the foreseeable future. In that context, AMLIS shows Alaska has inventoried an estimated total of \$1,762,000 in unfunded priority 1, 2, and 3 noncoal problems. Priority 1 vertical openings, portals, and hazardous equipment and facilities make up slightly more than 29 percent of that \$1,762,000 total. Priority 2 problems comprise about 2.5 percent of the total, and priority 3 problems constitute the remaining 68.5 percent. Figure 4 (above right) compares the estimated costs of reclaiming Alaska's remaining unfunded noncoal problems, based on AMLIS data.



Appendix 1

Alaska Abandoned Mine Lands Reclamation Program

Coal Reclamation Accomplishments and Remaining Reclamation Needs*

Problem Type and Description	Unfunded		Funded		Completed		Total	
	Units	Costs	Units	Costs	Units	Costs	Units	Costs
Dangerous Highwalls	12,500 feet	\$33,801,109	0	0	10,200 feet	\$6,411,380	22,720 feet	\$40,212,489
Dangerous Impoundments	0 (count)	0	0	0	4 (count)	\$79,362	4 (count)	\$79,362
Dangerous Piles & Embankments	5 acres	\$150,000	0	0	3.5 acres	\$12,959	8.5 acres	\$162,959
Equipment & Facilities	13 (count)	\$20,000	0	0	0	0	13 (count)	\$20,000
Gobs	0	0	0	0	6.5 acres	\$11,493	6.5 acres	\$11,493
Hazardous Equipment & Facilities	13 (count)	\$1,607,354	8 (count)	\$300,000	1,460 (count)	\$1,337,445	1,481 (count)	\$3,244,799
Haul Road	5 acres	\$17,500	0	0	0	0	5 acres	\$17,500
Hazardous Water Body	0	0	0	0	2 (count)	\$123,640	2 (count)	\$123,640
Industrial / Residential Waste	0	0	0	0	4 acres	\$266,370	4 acres	\$266,370
Mine Openings	1 (count)	\$ 7,500	0	0	0	0	1 (count)	\$7,500
Portals	0	0	0	0	6 (count)	\$82,222	6 (count)	\$82,222
Spoil Area	4 acres	\$2,620	0	0	47 acres	\$84,935	51 acres	\$87,555
Surface Burning	21 acres	\$2,562,000	8 acres	\$1,000,000	20.8 acres	\$2,500,000	49.8 acres	\$6,062,000
Slurry	0	0	0	0	9 acres	\$10,000	9 acres	\$10,000
Slump	0	0	0	0	0	\$25	0	\$25
Vertical Openings	7 (count)	\$59,000	0	0	4 (count)	\$67,751	11 (count)	\$127,251
ALASKA TOTAL COSTS		\$38,227,583		\$1,300,000		\$10,987,582		\$50,515,165

* This table is based on a Problem Type Unit and Cost Summary Report from the Abandoned Mine Land Inventory System as of July 7, 2005.

Appendix 2

Alaska Abandoned Mine Lands Reclamation Program

Noncoal Reclamation Accomplishments and Remaining Reclamation Needs*

Problem Type and Description	Unfunded		Funded		Completed		Total	
	Units	Costs	Units	Costs	Units	Costs	Units	Costs
Dangerous Highwalls	0	0	0	0	70 (feet)	\$13,350	70 (feet)	\$13,350
Dangerous Piles & Embankments	0	0	0	0	2 acres	\$5,000	2 acres	\$5,000
Equipment and Facilities	23 (count)	0	0	0	0	0	23 (count)	0
Highwall	300 feet	0	0	0	0	0	300 feet	0
Hazardous Equipment & Facilities	64 (count)	\$172,000	0	0	8 (count)	\$131,560	72 (count)	\$303,560
Portals	31 (count)	\$167,000	5 (count)	\$70,000	22 (count)	\$221,061	58 (count)	\$458,061
Pits	3 acres	\$200,000	0	0	0	0	3 acres	\$200,000
Spoil Areas	41.3 acres	\$1,000,000	0	0	0	0	41.3 acres	\$1,000,000
Vertical Openings	33 (count)	\$223,000	3 (count)	\$40,000	30 (count)	\$309,455	66 (count)	\$572,455
ALASKA TOTAL COSTS		\$1,762,000		\$110,000		\$680,426		\$2,552,426

* This table is based on a Problem Type Unit and Cost Summary Report from the Abandoned Mine Land Inventory System as of July 7, 2005. AMLIS does not include a complete inventory of Alaska's unfunded noncoal problems.

Appendix 3

State Comments on the Report

From: Joe Wehrman [joe_wehrman@dnr.state.ak.us]
Sent: Friday, August 05, 2005 2:23 PM
To: Ronald Sassaman
Subject: Re: Draft 2005 Alaska annual summary report

* * *

The State of Alaska AML Program agrees with and endorses the finding in the Annual Summary Evaluation for the year 2005.

The State of Alaska AML Program has received a great deal of support and help from the Denver Field Division staff. The ideas and observations presented to the AAMLPM Manager since his arrival on December 1, 2004 have enabled the Alaska Program to make what we hope are considered major program improvements in both accelerating mitigation of problems and removal of hindrances to cooperative ventures that have plagued the Program in the past. We are making continual strides at reducing head count by taking advantage of outside agency resources to accomplish required work rather than use in-house employees as will be shown in future program evaluations. Our computer network and administration has been realigned to be parallel to what the other states and Tribes utilize rather than Alaska being the only one insistent on being different. We will be investigating alternative evaluation criteria to define and document problem priorities based on Alaska population and exposure dynamics. We will be evaluating the AMLIS information for completeness and trying to refine what is really required as opposed to “nice to do”. We will intensify our efforts to develop plans for the sites identified on AMLIS as awaiting action in order to refine cost estimates based on engineer’s estimates rather than generic values.

Being a minimum program entity is causing problems in accomplishing single projects that larger program states would consider to be routine – but we are finding ways to cope with the financial issues in order to get the safety hazards mitigated as soon as possible. What we risk in doing this is losing the momentum that we have only recently been able to establish with the several federal agencies in Alaska where abandoned mine lands are frequently encountered in high use recreational venues. We will seek ways to prevent this from occurring.

We in the Alaska AML Program hope that OSM is pleased at every level with the steps we have taken thus far and that OSM will continue to act as our sounding board in the future. Alaska does not view the AML Program in as lasting in perpetuity, but rather as one that is designed to provide for the physical safety of local residents and visitors and then disappear into the never-ending daylight hours of our Alaska summer.