



# United States Department of the Interior

## Office of Inspector General

Central Region  
134 Union Blvd., Suite 510  
Lakewood, Colorado 80228

November 3, 2004

### Memorandum

To: Director, Minerals Management Service  
Focus Leader for Management Control and Audit Follow-up,  
Office of Financial Management, Office of the Assistant Secretary  
for Policy, Management and Budget

From: Anne L. Richards *Anne L. Richards*

Subject: Verification Report on Recommendations Considered Implemented from Audit  
Report No. 99-I-782 Titled "Processing Notifications for the Stripper Oil Well  
Property Royalty Rate Reduction Program, Minerals Management Service"  
(C-FL-MOA-0093-2004)

The Office of Inspector General has completed a verification review of the two recommendations that were presented in the subject audit report. The objective of the review was to determine whether the recommendations were implemented as reported to the Office of Inspector General and the Office of the Assistant Secretary for Policy, Management and Budget.

### Background

Our August 1999 audit report, "Processing Notifications for the Stripper Oil Well Property Royalty Rate Reduction Program, Minerals Management Service" (No. 99-I-782) made two recommendations to correct deficiencies related to the Minerals Management Service's (MMS) Stripper Oil Well Program. We reported that MMS did not have an adequate system to process stripper royalty rate reduction notifications or verify the reported royalty rates in a timely manner.

In its July 16, 1999 response, MMS generally agreed with our audit report and concurred with both our recommendations. The first recommendation was considered implemented based on actions taken by MMS prior to the issuance of our report. The second recommendation was referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. The Assistant Secretary's Office of Financial Management reported to the Assistant Inspector General for Audits on February 6, 2002,

that MMS had provided sufficient documentation to consider the recommendation implemented.

## **Scope and Methodology**

The scope of our review was limited to determining whether MMS took adequate action to address the recommendations. We reviewed the supporting documentation that MMS submitted to close the recommendations. We also interviewed and requested information from MMS personnel as appropriate.

We did not perform any site visits or conduct any detailed audit fieldwork to determine whether the underlying deficiencies identified have been corrected. As a result, this review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

## **Results of Review**

We determined that both recommendations in the subject audit report have been fully implemented by MMS.

**Recommendation 1:** *Develop, using the draft strategy paper, and implement a plan to eliminate the Stripper Oil Well Property Royalty Rate Reduction Program notification processing and data entry backlog and to approve future notifications for the Program in a timely manner.*

In response to our 1999 report, MMS stated that, based on the strategy paper, it had hired three technicians for the Stripper Oil Well Project Team and made system enhancements to improve the efficiency of notification processing. We obtained chronological documentation of the stripper project team staffing and changes made in the systems. The actions taken by MMS are sufficient for us to consider the recommendation implemented.

**Recommendation 2:** *Develop and implement a plan to review program exceptions generated by the automated matching process and collect underpaid royalties from operators.*

MMS provided a history of the Process for Generating and Reviewing Stripper Royalty Rate Reduction Exceptions. MMS developed an Access database in 2000-2001 which generated royalty rate reduction exceptions for October 1992 through December 1997. This database was sent to the Office of Financial Management as support for considering the recommendation implemented. Although the Office of Financial Management accepted the documentation, the support was insufficient because MMS was not able to verify that a review of this database was completed. MMS developed and implemented an alternative plan in 2003 that did satisfy the recommendation. The actions taken by MMS are sufficient for us to consider the recommendation implemented.

## **Conclusion**

We informed MMS officials at a September 27, 2004 exit conference that we were reporting both recommendations in the subject audit report as implemented.

If you have any questions regarding this report, please contact Keith Clark, Deputy Regional Audit Manager, or me at (303) 236-9243.

cc: Audit Liaison Officer, Minerals Management Service  
Audit Liaison Officer, Assistant Secretary for Land and Minerals Management