



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Central Region

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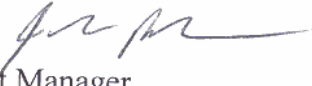
Lakewood, Colorado 80228

C-ST-MOA-0009-2005

November 25, 2005

Memorandum

To: Director, Bureau of Land Management
Director, Minerals Management Service
Assistant Secretary for Policy, Management and Budget
(Attention: Associate Director for Finance, Policy and Operations)

From: Jack Rouch 
Regional Audit Manager

Subject: Status Review of Recommendation 4 from Our March 2000 Audit Report No. 00-I-300 Titled "Supporting Documentation for Operators Participating in the Stripper Oil Well Property Royalty Rate Reduction Program, Bureau of Land Management and Minerals Management Service"

The Office of Inspector General has completed a status review of Recommendation 4 that was presented in the subject audit report. The objective of the review was to determine whether sufficient and timely action had been taken to implement the recommendation. We concluded that the Bureau of Land Management (BLM) and the Minerals Management Service (MMS) had not taken timely action to implement this recommendation. However, we also found that the Stripper Oil Well Property Royalty Rate Reduction Program is being terminated which makes Recommendation 4 no longer applicable. The status of the recommendation is summarized in the Appendix.

Background

Our March 2000 audit report, "Supporting Documentation for Operators Participating in the Stripper Oil Well Property Royalty Rate Reduction Program, Bureau of Land Management and Minerals Management Service" (No. 00-I-300), made four recommendations to correct deficiencies related to the Program. We reported that BLM and MMS had not developed sufficient program plans, policies, and procedures that would (1) ensure that the largest benefiting stripper oil well properties are audited; (2) be specific to operators of the program that do not have records prior to 1993; (3) address the issues of using load oil in fracturing, multiple completions and multiple well completions, and injecting water in a non-producing formation; and (4) require a review of supporting records for future program notifications.

In the January 27, 2000 response to the draft of the subject report, BLM and MMS generally agreed with our audit report and concurred with all four of our recommendations; however, only Recommendations 2 and 3 were considered resolved and implemented based on actions taken by BLM and MMS. Recommendations 1 and 4 were referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. In January 2005, we began a review of the status of Recommendations 1 and 4. Subsequent to initiating our status review, we determined that Recommendation 1 was closed by the Acting Focus Leader, Management Control and Audit Follow-up, Office of Financial Management, Office of Policy, Management and Budget, in a memorandum dated October 5, 2004. Because Recommendation 1 was closed, we did not include Recommendation 1 in the scope of this review.

Scope and Methodology

The scope of our review was limited to determining whether BLM and MMS took sufficient and timely action to implement Recommendation 4, "Develop and implement a procedure to review supporting records for future Program notifications submitted by operators and existing notifications that MMS has not confirmed."

To accomplish our objective, we reviewed the supporting documentation that BLM and MMS had available to indicate the status of the recommendation. We also interviewed BLM and MMS officials 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 found that BLM and MMS did not take timely action to implement the recommendation since issuance of our report in March 2000. However, on July 21, 2005, BLM published in the Federal Register its notification to terminate the benefits granted under the Stripper Oil Well Property Royalty Rate Reduction Program. The effective date of the Program termination is February 1, 2006. Due to the announced termination of the Stripper Oil Well Property Royalty Rate Reduction Program, Recommendation 4 is no longer applicable and should be considered closed and not implemented. BLM is in the process of submitting a request for closure of Recommendation 4 to the Office of Financial Management.

If you have any questions regarding this report, please contact me at (303) 236-9243.

cc: Focus Leader, Management Control and Audit Follow-up
Audit Liaison Officer, Department of the Interior
Audit Liaison Officer, Assistant Secretary for Land and Minerals Management
Audit Liaison Officer, Bureau of Land Management
Audit Liaison Officer, Minerals Management Service

Status of Audit Review Recommendation

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
4	Not Implemented and Closed	No further action required.