



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



**Audit**

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

JAN 21 2026

Memorandum

To: April Lockler  
Exercising the Delegated Authority of the Director, Office of Natural Resources Revenue

From: Nicki Miller *Nicki Miller*  
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Final Audit Report – *ONRR Needs To Consistently Enforce Compliance and Timely Revenue Collection*  
Report No. 2024-CR-008

This memorandum transmits our audit report addressing whether the Office of Natural Resources Revenue appropriately identifies, assesses, issues, and collects penalties related to mineral and energy leases.

We will track open recommendations for resolution and implementation. We will notify Congress of our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions about this report, please contact me at [aie\\_reports@doioig.gov](mailto:aie_reports@doioig.gov).

**Audit****ONRR Needs To Consistently Enforce Compliance and Timely Revenue Collection**

The Office of Natural Resources Revenue (ONRR) collects, verifies, and distributes over \$18 billion annually in Federal and Indian energy and mineral lease revenues. ONRR is responsible for ensuring lessees comply with reporting requirements and make timely payments. If lessees fail to meet these requirements, ONRR Enforcement (OE) is responsible for taking appropriate enforcement actions, which may include assessing and collecting penalties to deter future noncompliance. During the time period in our scope, ONRR assessed \$29.6 million in penalties in 92 cases; we reviewed 9 of these cases and calculated that ONRR collected around 17 percent of the penalties assessed, referred 55 percent to the U.S. Department of the Treasury for collection, and wrote off 28 percent as uncollectible. ONRR reported it collected an average of \$3.2 million annually in civil penalty revenue from fiscal years (FYs) 2021 through 2023.

**Objective**

To determine whether ONRR appropriately identified, assessed, issued, and collected penalties related to mineral and energy leases during FYs 2021 through 2023.

**Recommendations**

We make 13 recommendations to help ONRR improve its procedures for enforcing compliance, including issuing penalties for violations of reporting and payment requirements; 10 are resolved, and 3 are unresolved. We also consider four of these recommendations to be significant.

**Risk Area**

Revenue Collection

**Findings**

We found that ONRR did not appropriately identify, assess, issue, and collect penalties related to mineral and energy leases. In particular, ONRR's program areas delayed taking formal enforcement actions, sometimes waiting years after violations had occurred to enforce compliance. On average, it took 1,327 days—or approximately three years and seven months—for ONRR's program areas to refer noncompliance cases for enforcement, due in part to a lack of guidance on when cases should be referred to OE. Additionally, OE did not impose penalties on companies that knowingly, willfully, or repeatedly violated applicable laws and regulations because OE's policies and procedures do not define conditions that warrant immediately issuing penalties, and OE had not provided investigators guidance on appropriate enforcement approaches. For example, OE assessed penalties to only 43, or 13 percent, of the 339 non-curable cases it received from FYs 2021 through 2023 with an average penalty of \$571,965 for each case.<sup>1</sup> Additionally, we found that OE closed 80 percent of the enforcement cases we reviewed related to failure to submit required production reports without verifying that there were no other instances of noncompliance or that known issues had been fully remediated. OE did not fully investigate related noncompliance because OE's procedures for researching collateral violations are vague and do not provide sufficient detail or specify the steps that investigators must take to verify that no additional violations exist.

**Impact**

Unreported production of energy and mineral resources hinders ONRR's ability to accurately account for royalty liabilities and can result in uncollected revenues. Additionally, unpaid royalties that accumulate over time, along with interest and penalties, often become difficult or impossible for ONRR to collect when responsible parties change or when penalties grow so large that companies cannot pay them without risking insolvency. ONRR officials also stated that the Treasury faces challenges in collecting payments after ONRR has exhausted its attempts, collecting only around 2 percent of the debt referred, which suggests that ONRR's actions are the primary method by which these types of debts to the Federal Government are collected. Assuming a 2-percent collection rate, the Federal Government may receive only \$553,000 of the \$15.7 million in royalty debt and \$11.9 million in civil penalty debt ONRR referred to the Treasury<sup>2</sup> from FYs 2021 through 2023. Although ONRR's enforcement and compliance efforts may result in other forms of revenue collection (e.g., royalties, fees, interest, etc.), the delays and inconsistencies we found in ONRR's enforcement actions resulted in fewer formal notices and penalties to companies that knowingly or willfully failed to follow applicable laws or regulations.

<sup>1</sup> Penalty amounts can fluctuate greatly depending on the type of violation and duration. For the penalties OE issued from FYs 2021 through 2023, the penalty amounts ranged from \$304 to \$11,107,400.

<sup>2</sup> ONRR refers cases to the Treasury when the debt has been outstanding for 120 days or more. In addition to the civil penalties and royalties mentioned in the report, ONRR referred \$7.9 million in other debts to the Treasury during FYs 2021 through 2023 for fees, interest, rents, and minimum royalties.



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# Introduction

## Objective

The objective of our audit was to determine whether the Office of Natural Resources Revenue (ONRR) appropriately identified, assessed, issued, and collected penalties related to mineral and energy leases during fiscal years (FYs) 2021 through 2023. To do so, we determined the extent to which ONRR:

- Adequately detected violations of laws and regulations, such as missing reports or payments.
- Promptly referred identified noncompliance issues to ONRR Enforcement (OE).
- Appropriately assessed and issued penalties for noncompliance in proportion to the severity of the violations and the history of noncompliance.
- Made reasonable efforts to collect assessed penalties and royalties.
- Adhered to its policies and procedures.

From FYs 2021 through 2023, ONRR's OE assessed \$29.6 million in penalties in 92 cases. We reviewed nine of these penalty cases and calculated that ONRR collected approximately 17 percent of the penalties assessed, referred 55 percent to the U.S. Department of the Treasury for collection, and wrote off 28 percent as uncollectible. ONRR reported it collected an average of \$3.2 million annually in civil penalty revenue from FYs 2021 through 2023.<sup>3</sup> We were unable to calculate the lost penalty revenue for many of the cases we reviewed because the case files did not contain enough information to do so. ONRR pursued most of the cases as a failure to submit a report rather than a failure to pay royalties, and the schedule of volumes and royalties owed was not in the record. In addition, the files did not include the payment date, which is necessary to calculate the penalty.

See Appendix 1 for our audit scope and methodology.

## Background

The U.S. Department of the Interior (DOI) manages the Federal mineral estate, which includes Federal mineral rights both onshore and offshore. The Bureau of Land Management (BLM) oversees the onshore mineral estate, spanning approximately 714 million acres. The Bureau of Ocean Energy Management (BOEM) manages access to nearly 2.5 billion offshore acres in Federal waters for energy leasing and other purposes. Additionally, the Bureau of Indian Affairs (BIA) administers 56 million surface acres and 59 million acres of subsurface mineral estate the United States holds in trust for Indian Tribes and individual Tribal members. These DOI agencies have issued more than 211,000 mineral right leases<sup>4</sup> to private companies to produce energy and minerals. Revenue from these leases represents one of the largest nontax income sources for the Federal Government, States, and Tribes—amounting to a total of approximately \$18 billion in FY 2023.<sup>5</sup>

<sup>3</sup> U.S. Department of the Interior, *Natural Resources Revenue Data*, <https://revenue.data.doi.gov/>.

<sup>4</sup> This includes active leases as of February 2024.

<sup>5</sup> DOI press release, *Interior Department Announces \$18.24 Billion in Fiscal Year 2023 Energy Revenue*, issued November 2023, <https://www.onrr.gov/press-releases/FY%202023%20ONRR%20Disbursements%20Press%20Release.pdf>.

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA)<sup>6</sup> grants the Secretary of the Interior authority for managing and collecting oil and gas royalties from leases on Federal and Indian lands. One purpose of FOGRMA is to require the development of enforcement practices that ensure the prompt and proper collection and disbursement of oil and gas revenues owed.<sup>7</sup> Accordingly, FOGRMA directs the Secretary of the Interior to (1) establish a comprehensive inspection, collection, and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties, interests, fines, penalties, fees, deposits, and other payments owed and (2) collect and account for such amounts in a timely manner.<sup>8</sup> The Secretary delegated these authorities to ONRR.

## Office of Natural Resources Revenue

ONRR collects, accounts for, and verifies energy and mineral revenues generated from leases on Federal lands, Indian lands, and the Outer Continental Shelf (OCS)<sup>9</sup> and distributes more than \$18 billion annually to States, Tribes, the Treasury, and individual Indian mineral owners. To do this, ONRR conducts compliance and enforcement activities to ensure the prompt and accurate collection of oil and gas revenues owed to the United States and Indian lessors. ONRR's responsibilities include ensuring that lessees comply with reporting requirements and make timely payments. Compliance activities include identifying payments due, late or missing forms, and incorrect reports or determining that a lessee or responsible party must provide more information. If lessees fail to meet these responsibilities, OE is responsible for taking appropriate enforcement actions, which may include investigating violations of FOGRMA and assessing and collecting penalties to deter future noncompliance.

## Reporting and Payment Requirements

Lessees, or their designees, are required to submit royalty and production reports to ONRR. They must pay rents and royalties by the deadlines specified in Federal regulations. Operators who manage Federal or Indian oil and gas leases that contain one or more wells that are not permanently plugged or abandoned are responsible for reporting production information to ONRR by submitting an Oil and Gas Operations Report (OGOR).<sup>10</sup> The OGOR is a summary of all operations conducted on a lease or agreement during a specific production month and includes:

- Status and volumes of each well on a lease or agreement.
- Disposition of each product produced, including sales, transfers, and use.
- Beginning inventories, ending inventories, production, sales, and adjustments during the month.

All oil and gas produced on a Federal or Indian lease, unless specifically exempted by regulation, is subject to royalties.<sup>11</sup> In addition, any individual who pays royalties to

### Definitions of Responsible Parties

A **lessee** is any person to whom the United States issues a lease, or any person who has been assigned an obligation to make royalty or other payments required by the lease.

An **operator** is any person, including a lessee, who has control of or manages operations on an oil and gas lease site.

A **designee** is a person to whom a lessee delegates authority to pay, offset or credit monies, make adjustments, request and receive refunds, and submit reports with respect to payments required by the lessee. A designee is not liable for any payment obligation under the lease.

A **payor** is any person who reports and pays royalties under a lease, regardless of whether that person is also a lessee.

A **reporter** is a term ONRR uses to designate all entities that report information. It may refer to a payor, an operator, or another responsible party.

<sup>6</sup> Pub. L. No. 97-451 (1983), 30 U.S.C. § 1701 *et seq.*

<sup>7</sup> 30 U.S.C. § 1701(b)(3).

<sup>8</sup> 30 U.S.C. § 1711.

<sup>9</sup> The OCS includes all submerged lands within the jurisdiction and control of the U.S. Government as defined in section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. § 1331(a)).

<sup>10</sup> According to 30 C.F.R. § 1210.103, OGORs are due by the 15th day of the 2nd month following the production month.

<sup>11</sup> See 30 U.S.C. § 1712(a).

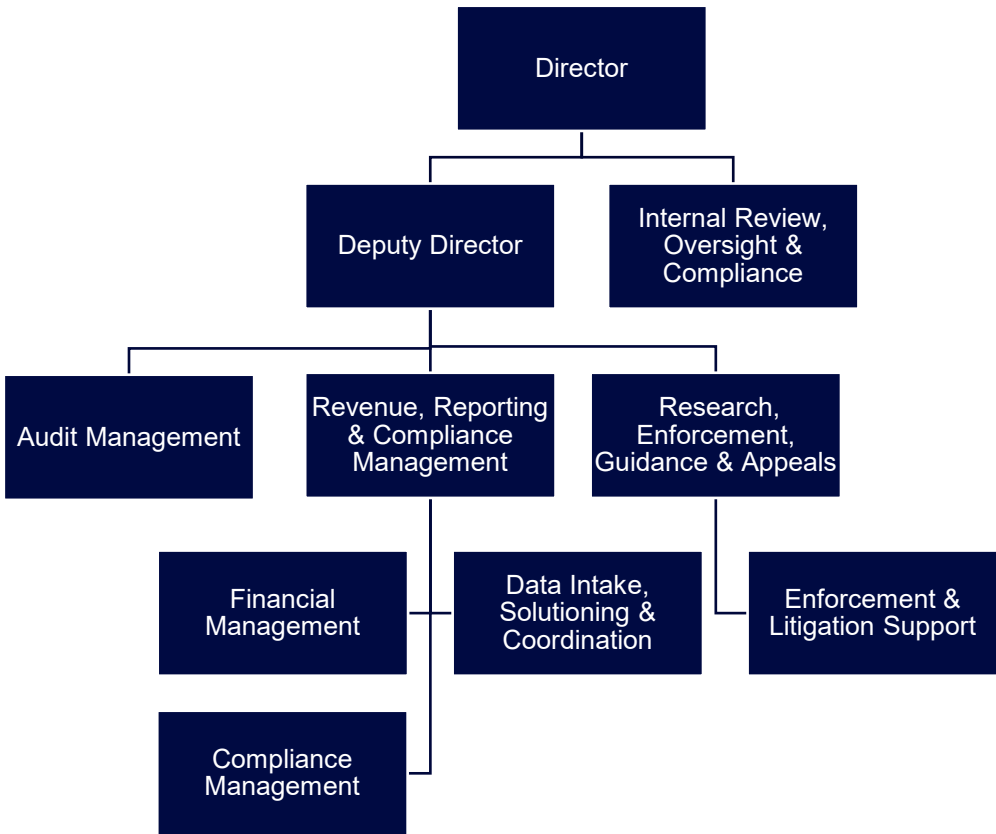
ONRR must submit a Report of Sales and Royalty Remittance (Form 2014).<sup>12</sup> Leaseholders use Form 2014 to report royalties, rents, and other lease-related transactions. ONRR uses this information to account for royalties; distribute mineral revenues to State, Indian, and General Treasury accounts; provide royalty accounting information; and identify underreporting or nonreporting of royalties.

Lessees or their designees are required to submit OGORs and Form 2014s through ONRR's website.<sup>13</sup> ONRR uses an external service provider to transmit these reports into the Minerals Revenue Management Support System for processing. This system manages mineral lease revenue, including billing, accounts receivable, rents, royalty payments, general ledger activity, compliance, reporting, and revenue collection.

**ONRR's Monitoring, Compliance, and Enforcement Activities**

ONRR established a system to verify compliance with Federal requirements, which includes various activities of its Audit Management directorate; Revenue, Reporting and Compliance Management directorate; and Research, Enforcement, Guidance and Appeals directorate. Figure 1 shows an organizational chart of relevant ONRR directorates and program areas responsible for ensuring compliance with FOGRMA. At the time of our fieldwork in January 2024, 362 ONRR employees worked in these monitoring, compliance, and enforcement activities.<sup>14</sup>

**Figure 1: ONRR Organizational Chart as of January 2024<sup>15</sup>**



Source: OIG reformatted organization chart from ONRR.

<sup>12</sup> According to 30 C.F.R. § 1210.53, Form 2014 and the royalty payment are due by the end of the month following the production month. Any royalty reports or rents on nonproducing leases are due as specified by the lease terms.

<sup>13</sup> ONRR, *Paying*, <https://www.onrr.gov/paying>. ONRR can make an exception when a payee is unable to pay electronically.

<sup>14</sup> This number was reported in *ONRR Staffing as of January 29, 2024*. Since that report, ONRR informed us that it experienced significant personnel losses. As of July 28, 2025, ONRR stated it had a remaining staff of approximately 337 employees out of the 570 total staff reported in January 2024, but it did not specifically identify the number of those 337 employees who were working on monitoring, compliance, and enforcement activities as of July 28, 2025.

<sup>15</sup> ONRR reorganized its directorates during our audit period. The organizational changes did not affect our audit findings.

These directorates and program areas are tasked with detecting noncompliance and attempting to correct the identified issues by contacting the responsible parties to remind them of their obligations.<sup>16</sup> When lessees or their designees do not respond to ONRR's informal compliance efforts, these groups refer the case to ONRR's OE,<sup>17</sup> within the Enforcement and Litigation Support group. OE evaluates the referral and determines if it is appropriate to create an enforcement case to pursue compliance with other tools, including civil penalties.

## Civil Penalty Authority

Section 109 of FOGMA describes ONRR's authority to assess civil penalties.<sup>18</sup> The Act states that after due notice of a violation,<sup>19</sup> any individual who fails to correct it within 20 days (or such longer time as the Secretary might agree to) and refuses to comply with mineral leasing law requirements, refuses to comply with the terms of a lease, or fails to permit an authorized inspection is subject to civil penalties.<sup>20</sup> Additionally, if the individual does not take corrective action within 40 days (or a longer period as the Secretary may agree to) after due notice, the civil penalty increases per violation each day the violation continues. For "knowing or willful" violations, ONRR may assess a penalty without giving prior notice and an opportunity to correct the violation. Specifically, any individual who knowingly or willfully fails to make any royalty payment; fails or refuses to permit lawful entry, inspection, or audit; or knowingly or willfully prepares, maintains, or submits false, inaccurate, or misleading information is subject to higher civil penalties without prior notice.<sup>21</sup> ONRR delegated the authority to assess civil penalties in order to encourage compliance with Federal royalty laws to its OE.

Federal regulations describe how OE issues notices and assesses civil penalties as well as the appeal processes.<sup>22</sup> OE uses three types of notices to identify the violation or assess a penalty:

1. A **Notice of Noncompliance (NONC)** identifies violations that are not classified as knowing or willful, specifies corrective actions that must be taken, and establishes deadlines to avoid a civil penalty.
2. A **Failure to Correct Civil Penalty (FCCP)** assesses a civil penalty if an individual fails to correct a violation identified in a NONC within 20 days after the date on which the NONC was served.
3. An **Immediate Liability Civil Penalty (ILCP)** assesses a penalty for a violation without prior notice or opportunity to correct the violation. The ILCP applies to knowing or willful violations such as failing to pay royalties by the date specified by statute, regulation, order, or term of the lease; failing to permit an audit (including refusal to produce documents); and preparing, maintaining or submitting false, inaccurate, or misleading information.

## Audit Management

The Audit Management directorate is responsible for conducting audits to determine industry compliance with applicable laws, regulations, and lease terms for revenues from Federal and Indian lands. These audits vary in scope and include reviews of specific companies, properties, or issues. These audits can result in a request to the companies to correct the deficiencies, issue payments, or provide additional information. If Audit Management's compliance attempts are not successful, the auditors refer the case to OE. At the time of our fieldwork, this directorate had 148 employees.<sup>23</sup> As of July 28, 2025, ONRR stated it had 109 employees,

<sup>16</sup> ONRR, *Compliance & Enforcement*, <https://www.onrr.gov/compliance-enforcement>

<sup>17</sup> OE receives referrals from ONRR program areas including Financial Management; Compliance Management; Data Intake, Solutioning and Coordination; and Audit Management, as well as from States, Tribes, and other Federal sources such as BLM, BIA, BOEM, and OIG.

<sup>18</sup> 30 U.S.C. § 1719.

<sup>19</sup> ONRR provides due notice of a violation by issuing a Notice of Noncompliance, Failure to Correct Civil Penalty, or an Immediate Liability Civil Penalty. 30 C.F.R. § 1241.3.

<sup>20</sup> 30 U.S.C. § 1719(a).

<sup>21</sup> 30 C.F.R. § 1241.60.

<sup>22</sup> 30 C.F.R. Part 1241.

<sup>23</sup> This number was reported in *ONRR Staffing as of January 29, 2024*.

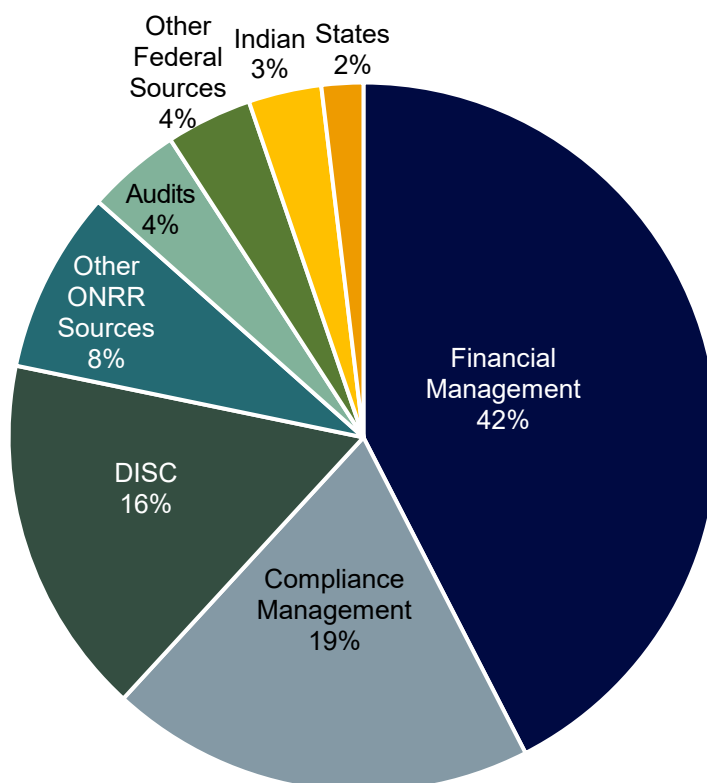


supervisors, or managers performing audit work, not including mineral revenue specialists or other personnel working on compliance reviews done by the former Compliance Management program area.

## Revenue, Reporting and Compliance Management

The Revenue, Reporting and Compliance Management directorate carries out revenue accounting, investing, and disbursement activities. It also performs compliance activities to ensure companies' accurate and timely reporting. We reviewed 841 OE cases created between FYs 2021 and 2023 and found that most referrals (78 percent) originated from the following three program areas: Financial Management; Data Intake, Solutioning and Coordination (DISC); and Compliance Management (see Figure 2).<sup>24</sup>

**Figure 2: FY 2021-2023 Distribution of Enforcement Cases by Referring Entity**



### ***Financial Management***

There are three teams within Financial Management that submit referrals to OE:

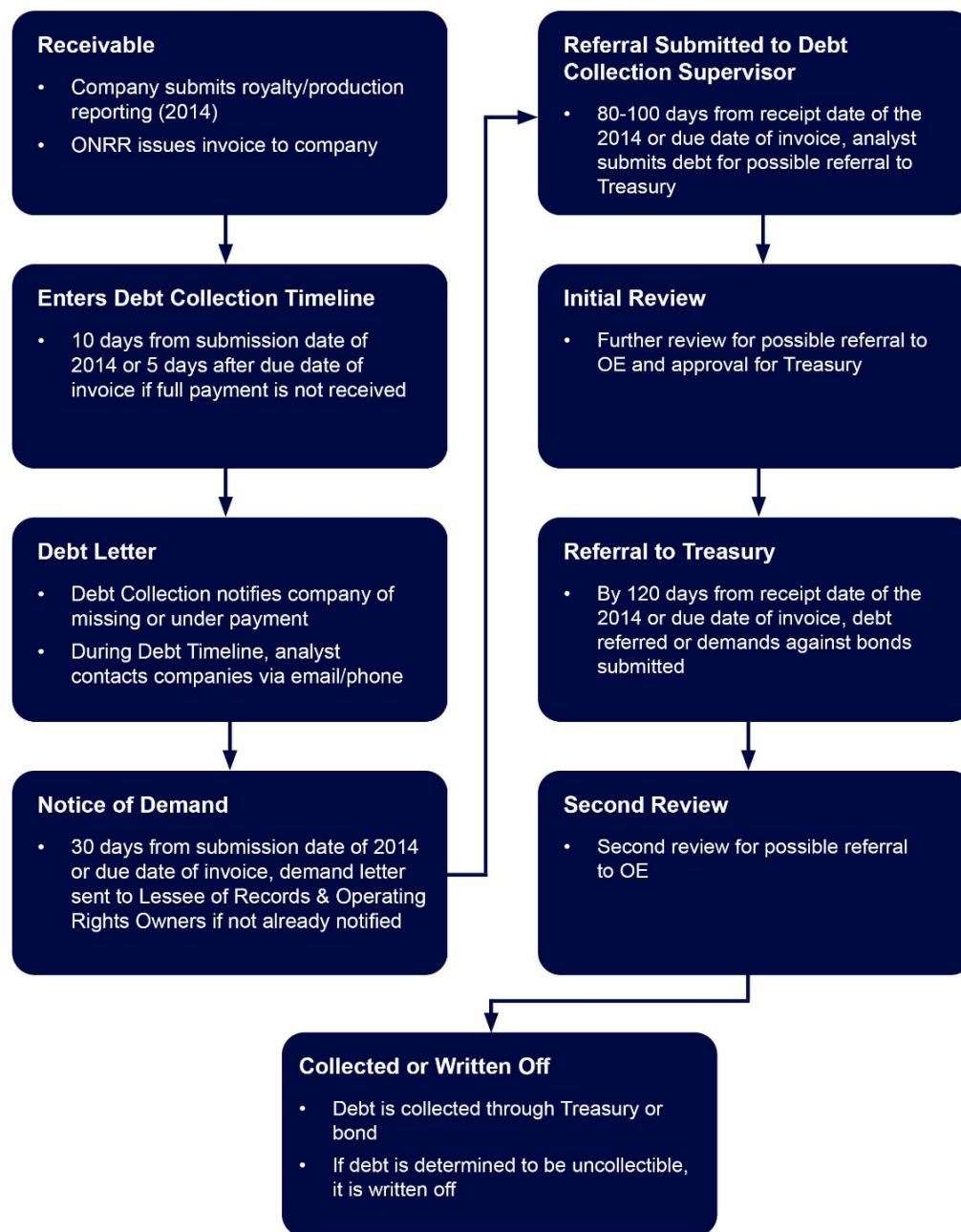
- The General Ledger team manages payment receipts and ensures payments are processed electronically, as required by regulations. If a company fails to submit electronic payments, General Ledger contacts the company to address the issue. If the company is unresponsive, the case may be referred to OE.
- The Accounts Receivable team matches electronic payments with receivables generated when companies report royalties on Form 2014. If a company submits royalty or rent payments without reporting the associated revenue on Form 2014 and ONRR cannot identify the revenue source, Accounts Receivable will try to resolve the issue informally. If unsuccessful, Accounts Receivable may submit an OE referral based on the accountants' judgment.
- The Debt Collection team identifies missing payments when a company files Form 2014 but either fails to submit the required royalty payment or pays less than what is owed.<sup>25</sup> The group takes action to

<sup>24</sup> We reviewed 259 cases for FY 2021, 225 cases for FY 2022, and 357 cases for FY 2023.

<sup>25</sup> No collection action is initiated unless lessees file Form 2014, as this form generates the receivable.

collect the unpaid royalties; if payment is not received within 80 to 100 days, an analyst evaluates whether to refer the case to OE. The OE referral decision is made on a case-by-case basis, typically when Debt Collection identifies a pattern of noncompliance and confirms there are no other open cases for the same company.<sup>26</sup> Figure 3 shows the Debt Collection team’s timeline.

**Figure 3: ONRR Debt Collection Timeline**



Source: OIG reformatted a timeline found in original source material from ONRR.

The Financial Management program area referred 128, 92, and 137 cases to OE in FYs 2021, 2022, and 2023, respectively, amounting to 42 percent of all cases referred to OE during the three-year period. At the time of our fieldwork, this program area had 76 employees.<sup>27</sup> As of July 28, 2025, ONRR stated it had 51 employees, supervisors, or managers performing financial management activities.

<sup>26</sup> If payments are not received within 120 days of the company’s Form 2014 submission, the case is referred to the Treasury, at which point Debt Collection ceases collection efforts.

<sup>27</sup> *ONRR Staffing as of January 29, 2024.*

## ***Data Intake, Solutioning and Coordination***

DISC handles various data integrity tasks to ensure that OGORs are submitted accurately and on time. Additionally, DISC manages and updates lease information in the Minerals Revenue Management Support System. DISC uses automated tools to compare current data with historical records and lease terms in this system to identify missing or inaccurate production reports. If it finds discrepancies, DISC contacts companies to request corrections. If these informal compliance efforts fail, DISC refers the case to OE to issue a NONC. The DISC program area referred 49, 32, and 57 cases to OE during FYs 2021, 2022, and 2023, respectively, amounting to 16 percent of all cases referred to OE for the three-year period. At the time of our fieldwork, this program area had 59 employees.<sup>28</sup> As of July 28, 2025, ONRR stated it had 47 employees, supervisors, or managers in this program.

## ***Compliance Management***

Compliance Management uses data mining tools to detect noncompliance, such as when an OGOR is submitted without a corresponding Form 2014 or when there are discrepancies between production volumes reported on the OGOR and Form 2014. Compliance Management creates a workplan to prioritize cases based on the size of the variances, with Indian leases given special priority. Analysts are then assigned selected cases for compliance reviews, which involve gathering and analyzing data, requesting additional information from lessees if needed, and issuing preliminary determinations. Depending on the findings, Compliance Management may issue orders to correct a report submission, submit the missing Form 2014 or OGOR, or pay royalties. If companies fail to comply with these orders or provide the required information, Compliance Management refers the case to OE. The Compliance Management program area referred 42, 36, and 85 cases to OE in FYs 2021, 2022, and 2023, respectively, amounting to 19 percent of all cases referred to OE during the three-year period. At the time of our fieldwork, this program area had 67 employees.<sup>29</sup> Since our fieldwork, ONRR informed us that it experienced significant personnel losses but did not provide current staffing levels for this program.

## ***ONRR Enforcement***

OE is included in ONRR's Research, Enforcement, Guidance and Appeals directorate, and it is responsible for reviewing referrals to determine the appropriate enforcement action, including issuing civil penalties. At the time of our fieldwork, the office included 10 investigators, a supervisor, and a supervisory program manager.<sup>30</sup> As of July 28, 2025, ONRR stated it had seven investigators.

## ***Enforcement Process***

OE receives noncompliance referrals from both within and outside of ONRR through an enforcement database application developed by an external contractor to manage cases. Typically, ONRR program areas submit referrals after compliance efforts (such as informal requests or orders to submit or correct reporting or payment) have failed. OE supervisors are the first to review referrals received through the database. During this initial review, they ensure the referral is properly documented, is not a duplicate, is within the statute of limitations,<sup>31</sup> and is free from other issues that could prevent enforcement. If the referral meets these criteria, it is assigned to an investigator to begin enforcement actions.<sup>32</sup> Issues that could prevent enforcement include when the referral is based on speculation or unidentified sources, has absent or noncredible supporting documentation, or when ONRR is unable to identify the responsible party. If the case is deemed unenforceable because it does not meet the criteria, the OE supervisor notifies the referrer and archives the case.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

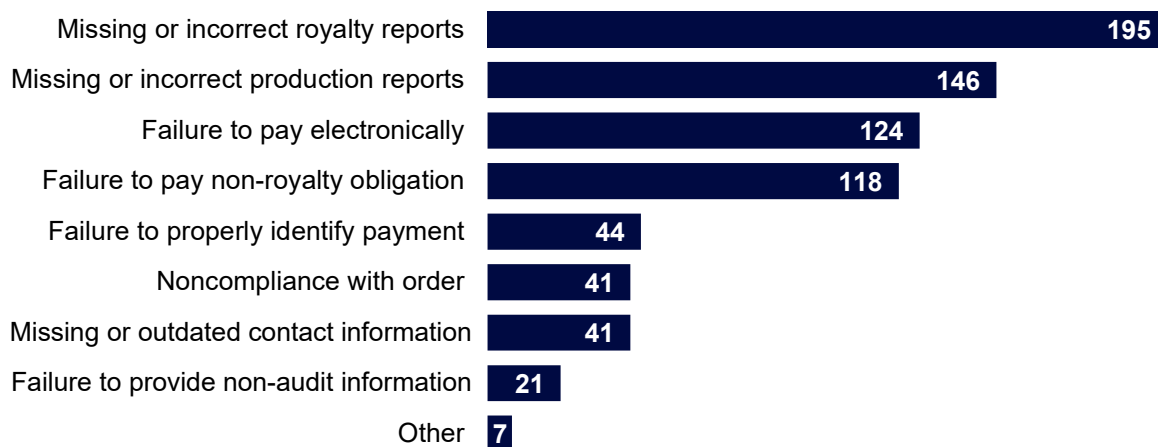
<sup>31</sup> The statute of limitations for ONRR to pursue an action to collect civil penalties is generally six years from the date of the violation. See 30 U.S.C. § 1755.

<sup>32</sup> In a small number of referrals, OE did not open a case—e.g., in FY 2023 there were 376 referrals, but OE archived 19 of these cases (approximately 5 percent) because it determined the cases were not enforceable. OE tracks archived cases through a case management system it implemented in FY 2022. Prior to its implementation, referrals were submitted to OE through email; therefore, we could not obtain full data of archived cases for FYs 2021 and 2022.

When investigators receive the case assignment, they work with the referrer to understand the violation. The investigator then reviews the company history for similar violations, confirms the responsible party, and verifies the company's size. Using this information, investigators classify the violation as either:

- A **“curable violation”** that is identified in a NONC and for which civil penalties can be avoided if the responsible party cures the violation within a timeframe specified in the NONC. Curable violations include failing to submit royalty or production reports, improperly identifying payments, using nonelectronic payment methods, failing to submit or update contact information, or failing to comply with an order (see Figure 4).<sup>33</sup>
- A **“non-curable violation”** (i.e., knowing or willful) that is subject to penalty without prior notice and an opportunity to correct.<sup>34</sup> Non-curable violations include failing to pay royalties; failing to comply with an audit request; or submitting or maintaining false, inaccurate, or misleading information (see Figure 5).

**Figure 4: Distribution of Curable Violation<sup>35</sup> Cases FYs 2021-2023**



**Figure 5: Distribution of Non-Curable Violation<sup>36</sup> Cases FYs 2021-2023**



Prior to initiating formal enforcement actions that carry civil penalties, OE investigators contact responsible parties by phone or email and inform them of their investigation. OE's procedures state that “early contact also opens the door to achieving compliance informally, without having to issue a NONC or assess a penalty.”<sup>37</sup>

In addition to investigating the original violation, OE procedures require investigators to look for other potential noncompliance issues by the responsible party, which OE calls collateral cases. For example, if a company fails to submit OGORs, it may also fail to submit Form 2014 and pay royalties. Figure 6 illustrates the action course taken by OE based on whether the violation is curable or non-curable and whether the responsible party complies with a NONC or informal compliance attempts.

<sup>33</sup> 30 C.F.R. §§ 1241.50-1241.52.

<sup>34</sup> 30 C.F.R. § 1241.60.

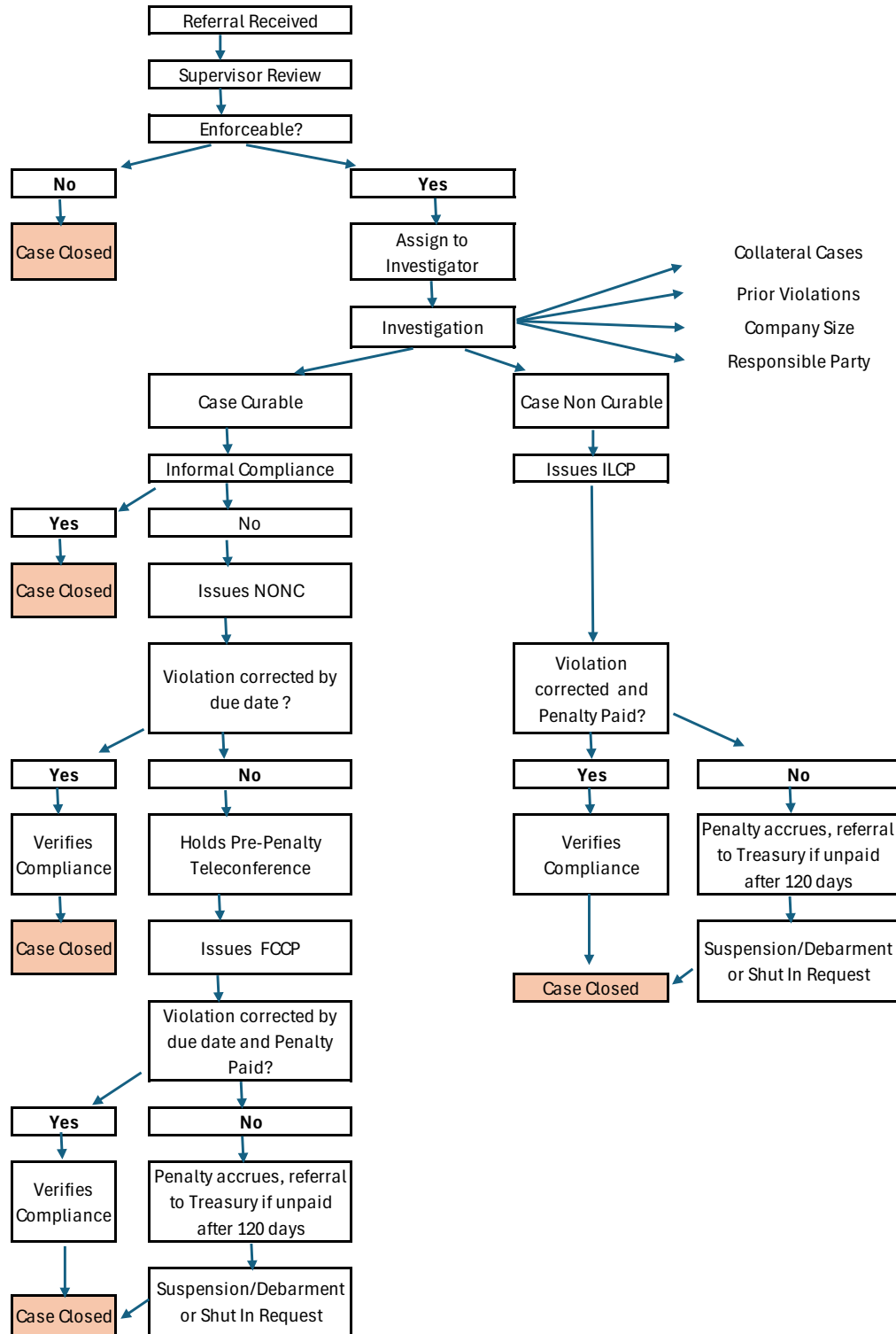
<sup>35</sup> “Other” includes failure to submit or correct other reports, violations of other mineral revenue law or lease term, and nonresponsive to account reconciliation order.

<sup>36</sup> “Other” includes maintenance or submission of false, misleading, or inaccurate information and theft, threats, misconduct, and other referrals to external agencies.

<sup>37</sup> *Enforcement Business Process, Investigation, B02 - Confirm Violations and Enforceability.*



**Figure 6: Enforcement Process**



Source: OIG.

## Penalty Amounts

OE determines the civil penalty amount by considering if the violation is curable or non-curable, the history of noncompliance, aggravating or mitigating circumstances, and the size of the business.<sup>38</sup> ONRR publishes a matrix with the penalty amounts that investigators should assess companies for each type of violation (see Appendix 2). The matrix includes ranges of penalty amounts to allow OE to adjust penalties based on company size and any mitigating or aggravating factors.

If informal compliance efforts fail or the cure period for a NONC expires, OE holds a pre-penalty teleconference with the responsible party. The purpose of this meeting is to confirm the company's size and understand the reasons for the violations, including any mitigating circumstances that OE should consider when determining penalties. For example, if the company was unable to comply due to external factors, such as a system outage affecting report filing, OE could consider it a mitigating factor. During the teleconference, the investigator confirms all relevant facts, including the penalty timeline. This timeline starts on the day the responsible party receives the NONC for curable violations or from the date of the non-curable violation.

Penalties for curable violations are assessed to the payor when violations persist beyond the cure period. The cure period allows the payor to make corrections under a deadline (e.g., 20 or 30 days) after they receive the notice but before a penalty is assessed. If the violation is not corrected within 40 days after receiving the notice "or within 20 days following the expiration of any period longer than 20 days that the NONC specifies," penalties double and interest on the penalty may be due.<sup>39</sup>

## OE Peer Reviews

Before issuing a NONC, assessing civil penalties, or closing a case, OE requires at least one internal peer review. The OE peer review process requires an independent investigator to review the case actions of the investigator who worked on the case (see Figure 7). OE supervisors require completion of this peer review before approving these three formal actions.

**Figure 7: Peer Review Checklist Sections and Objectives**

Peer Review Checklist Sections	What Does the Reviewer Check?
Required Documents	Check that the nine items of the case background are documented, as applicable.
Case Control Log	Check that the investigator completed the enforcement case control log for each phase (investigation and action phases as applicable).
Closure Items	Check that the investigator (1) stated reason for case closure, (2) included supporting documentation, and (3) included the NONC or civil penalty in the case file.
Warrant a Case Closure	Confirm that the case file and history warrant case closure.
Update Cases Status & Upload Peer Review Documents	Change case status to complete.

## Case Closure

Based on OE's procedures, a case may go through several steps before closure. Simple cases may take only a few weeks, while more complex cases can take years. Enforcement can range from achieving informal compliance to conducting a formal investigation, including issuing a NONC, assessing civil penalties, and closing the case once penalties are paid and violations are corrected. The process may be further extended if the lessee requests a hearing or appeals the case. Of the 32 closed cases we examined, it took an average of four months from the date OE opened the case to closure. OE closed 50 percent of cases within three months and 97 percent of cases within one year of the dates opened.

<sup>38</sup> 30 C.F.R. § 1241.70.

<sup>39</sup> 30 C.F.R. § 1241.52(b).

# Results of Audit

We found ONRR did not appropriately identify, assess, issue, and collect penalties related to mineral and energy leases, and it did not effectively enforce laws and regulations to ensure the timely reporting and collection of royalties and revenues from those leases. While ONRR appropriately detected violations of laws and regulations and pursued compliance, its program areas tasked with ensuring compliance with FOGRMA did not refer cases to enforcement in a timely manner, resulting in significant delays in addressing noncompliance cases. On average, it took 1,327 days—or approximately three years and seven months—for ONRR’s program areas to refer noncompliance cases for enforcement, due in part to a lack of guidance on when cases should be referred to enforcement. As a result, ONRR delayed collecting royalties and allowed noncompliant activities to persist, in some instances, for several years before taking any action.

Furthermore, OE did not assess penalties or pursue the most egregious<sup>40</sup> violations when enforcing compliance. Specifically, OE did not escalate the consequences for noncompliance when companies did not respond to initial compliance efforts or demonstrated a pattern of repeated violations. Instead of imposing penalties based on the type of violation or company history of noncompliance, such as issuing ILCPs in cases of non-curable violations, OE continued its efforts to gain informal compliance. For example, OE assessed penalties to only 43, or 13 percent, of the 339 non-curable cases it received from FYs 2021 through 2023. The average penalty amount assessed in those 43 cases was \$571,965.<sup>41</sup> This occurred because OE’s policies and procedures did not define conditions that warrant immediately issuing NONCs or penalties, and investigators lacked guidance on the appropriate enforcement approach. We found instances where OE’s lack of escalation diminished the effectiveness of the enforcement program and allowed companies to continue operating after repeated or non-curable violations. By continuing to pursue informal compliance for an extended time, OE is sometimes duplicating the compliance and collection activities of other ONRR directorates instead of focusing on enforcement actions, likely resulting in wasted time and resources.

Additionally, for 80 percent of the enforcement cases we reviewed related to failure to submit OGORS, OE prematurely closed the cases without verifying that there were no other instances of noncompliance or that known issues had been fully remediated. This occurred because OE’s procedures for researching collateral violations<sup>42</sup> are vague and do not provide sufficient detail or specify the requirements that investigators must meet to ensure that no additional violations exist. As a result of not fully searching for collateral violations, ONRR is unable to ensure that operators and payors are fulfilling their obligations to report and pay royalties for mineral resources extracted from Federal lands.

## ONRR’s Program Areas Failed To Make Timely Referrals of Violations to OE

FOGRMA mandates that ONRR implement a comprehensive system for inspections, collections, and fiscal and production accounting. The law requires ONRR to accurately determine and manage payments such as oil and gas royalties, rents, interest, fines, penalties, fees, and other payments owed. It also requires ONRR to ensure that these amounts are collected and accounted for in a timely manner. To meet these requirements, the regulations specify that reports detailing the volumes of minerals extracted from leases on Federal lands, Indian lands, and the OCS, along with royalty reports, must be submitted by the deadlines mandated by statute.<sup>43</sup> Lessees or their designated representatives must also pay any royalties or rents owed on time.<sup>44</sup>

<sup>40</sup> “Egregious” is a term specifically used by ONRR policies. See, e.g., *Enforcement Business Process, Intake and Assignment, A03 – Supervisor Assigns Case*, which uses the term “egregious” to describe the more severe violations.

<sup>41</sup> Penalty amounts can fluctuate greatly depending on the type of violation and duration. In the 43 penalties that OE issued to non-curable cases received from FYs 2021 through 2023, the penalty amounts ranged from \$304 to \$11,107,400.

<sup>42</sup> *Enforcement Business Process, Investigations, B08 - Collateral Violations*.

<sup>43</sup> According to 30 C.F.R. § 1210.53, royalty reports and payments are due by the end of the month following the production month; per § 1210.103, production reports are due by the 15th day of the 2nd month following the production month.

<sup>44</sup> Royalty payments for oil and gas are due at the end of the month following the month of production or sale. 30 C.F.R. § 1218.50.

To monitor compliance with these regulations and identify any issues, ONRR assigned responsibility to its financial management, compliance management, and DISC program areas. We reviewed the policies and procedures of these program areas to understand how they detect noncompliance, which tools they use to identify noncompliance (e.g., so-called “upfront edits,”<sup>45</sup> reports, analysis, etc.), and how they refer cases to OE.

We examined 34 violation cases referred to OE (see Appendices 3 and 4) and measured the time from when the report or payment was due to when the case was referred. Each case involved multiple violations, typically one per month per agreement. We found that ONRR’s program areas did not refer cases to OE in a timely manner. For the cases we reviewed, ONRR’s program areas took an average of 1,327 days (over three and a half years) to refer the cases to OE. Only 4 of the 34 cases were referred within one year of the first violation, and 18 were referred more than three years after the initial violation (see Figure 8).

**Figure 8: Distribution of the Referral Timeline for Sampled Cases<sup>46</sup>**



Of the cases we reviewed, the quickest case OE resolved (Case No. CP23-042) took 120 days from the date of noncompliance and involved seven violations. In this instance, OE assessed a \$51,200 ILCP, which it successfully collected. In contrast, the Compliance Management program area referred Case No. CP23-287 to OE 4,192 days after the first violation. This case had 110 violations dating back to 2012, and OE closed the case in January 2024 when the lessee communicated that it reported and paid royalties under a different agreement. This suggests that ONRR had inaccurate records for over 10 years. Moreover, we found no evidence in the case file that ONRR confirmed the company’s assertions that reports and payments were submitted before closing the case.

In another example, the Accounts Receivable team within the Financial Management program area referred Case No. CP21-032 to OE more than three years after the first identified violation. Specifically, the first violation on this case occurred in July 2017, but Accounts Receivable did not refer the case until December 2020. ONRR officials explained that not every violation can be referred due to the high volume of noncompliance cases and limited resources to identify and investigate them.<sup>47</sup> By the time OE attempted to pursue compliance, the company could no longer be located. In January 2021, OE closed the case after determining it was unenforceable because the lease should have been terminated in 2015. However, ONRR’s late referral resulted in inaccurate records for over four years.

Additionally, in Case No. CP21-081, the first violation occurred in May 2019, but OE did not receive the referral until January 2021. Although OE closed the case after it achieved informal compliance, the company did not correct its pattern of noncompliance after this case was closed without consequences. OE opened another case for the same company (Case No. CP22-193), which was referred in August 2022 after 613 days; however, OE closed the case as unenforceable because it could not locate the responsible party. In addition to the untimely referrals, we found that the Debt Collection team did not refer cases of unpaid royalties to OE unless the company had committed repeated violations.

These issues occurred because the policies and procedures for case referrals from ONRR’s program areas to OE do not specify a timeline for referrals or clarify when certain violations, such as those related to unpaid royalties, should be immediately referred to OE. Additionally, the referral process is manual and subjective,

<sup>45</sup> ONRR uses “upfront edit” checks to validate submitted reports with established parameters.

<sup>46</sup> Our sample selection of cases was proportional to the total number of cases for each violation type and investigator.

<sup>47</sup> We express no opinion on the extent or nature of ONRR’s resource constraints. We acknowledge, though, that ONRR must prioritize its investigations based on the most significant violations and those with the highest impact.



leading to varying interpretations and exceptions that hinder timely and consistent enforcement. The program areas' policies and procedures moreover lack clear guidelines on when an enforcement referral is necessary.

For instance, while Chapter 9 of the *Compliance Review Manual*<sup>48</sup> outlines types of violations that may be referred to OE—such as noncompliance with a data request or order, failure to pay, or recurrence of an issue—it does not specify mandatory referral conditions or set a limit, even an advisory limit, on informal compliance attempts. Furthermore, the guidance for referrals related to payments without reporting states, “Once research is complete and the company has not resolved the issue within a reasonable amount of time . . . submit the payment information with additional support to OE.” However, this instruction does not define a “reasonable amount of time” or provide any factors that might help an analyst make this determination. We also found that the Debt Collection team has no policies and procedures to determine which cases to refer to OE.

ONRR explained that its compliance strategy consists of a multiphase approach that includes “upfront edits” (i.e., an initial review of submitted data) to detect and correct issues, compliance reviews, and audits. According to ONRR, it lacks the resources to refer all cases of noncompliance to OE immediately; ONRR further stated that the timeline of its compliance strategy may cover the full seven-year period of the statute of limitations. Specifically, ONRR explained that its statutory authority allows:

- Seven years (2,555 days) from the obligation due date to obtain compliance with an order to report and pay on Federal leases.
- An unlimited timeframe for production reporting or Indian lease orders.
- Six years (2,190 days) from the date of a violation to pursue civil penalties.

ONRR also stated that its informal compliance efforts may have started well before the average 1,327 days it took to refer cases to OE. We acknowledge that ONRR may not be immediately aware of all violations, that informal compliance efforts have resolved some issues, and that not all cases warrant enforcement action. Our focus is not on the relative merits of these different approaches; rather, we emphasize that ONRR did not have clear guidelines to expedite the referral and investigation of the most egregious cases, particularly when informal compliance efforts by its referring directorates are unsuccessful.

Additionally, we identified situations where enforcement was hindered due to changes in responsible parties or other events. For example, in Case No. CP23-241, ONRR investigators pursued a lesser violation (i.e., failure to report instead of failure to pay) because certain violations had occurred years previously and the time limit for pursuing those violations was close to expiration. When we asked ONRR why it did not pursue the most egregious violation in this case, ONRR said, “Determination was made by Enforcement leadership to pursue more egregious violations after getting the company to correct its reporting to avoid losing statute of limitations on multiple cases.” ONRR’s response stated that delays in initiating enforcement led it to deviate from its policy of pursuing the most egregious violation. Additionally, because the statute of limitations to pursue civil penalties is shorter than the statute for obtaining reporting and collecting payments, ONRR may lose the opportunity to assess civil penalties without prompt action. ONRR’s statement that its compliance strategy may cover the full statutory period to pursue civil penalties does not account for the length of time between when a violation occurred and when it was discovered. In several cases we reviewed, this gap spanned multiple years, leaving ONRR with only a limited window to notify the company, issue any required notices, and allow time for a response. The 1,327-day average discussed above reflects only the time from when a violation was identified to when it was referred to OE, and our audit identified cases in which OE actions were constrained by the statute of limitations as discussed in the example above.

While we agree that ONRR’s limited resources restrict its ability to refer all cases of noncompliance to OE, ONRR’s compliance efforts could be improved with additional guidance for its program areas that establishes timelines for referrals or identifies when certain egregious violations should be immediately referred to OE. We found that ONRR’s enforcement process did not deter repeat violations, and that repeated informal compliance efforts were often duplicative and inefficient (see Figure 9). Establishing timelines for referrals may address

<sup>48</sup> *Compliance Review Manual*, Release 1.0, effective Oct. 1, 2019.

these issues by helping ensure predictable consequences for violations while also reducing delays and promoting fairness across cases.

**Figure 9: Companies With Five or More Cases Referred to Enforcement FYs 2021-2023**

Company	FY 2021	FY 2022	FY 2023	Total
A	–	2	15	<b>17</b>
B	–	3	9	<b>12</b>
C	9	–	1	<b>10</b>
D	1	4	3	<b>8</b>
E	2	2	3	<b>7</b>
F	1	4	1	<b>6</b>
G	2	2	1	<b>5</b>
H	2	2	1	<b>5</b>
I	1	3	1	<b>5</b>
J	4	1	–	<b>5</b>
K	2	–	3	<b>5</b>

As a result of these untimely referrals of noncompliance, ONRR's enforcement cases may become more complex and difficult to resolve the longer they are delayed, due to the potential for more violations and challenges of determining liability or relevant parties as time passes. In addition, delays in OE referrals increase the risk of uncollectible debt or company insolvency. For example, ONRR referred \$15,722,444 in royalty debt and \$11,955,400 in civil penalty debt to the Treasury<sup>49</sup> from FYs 2021 through 2023, but according to ONRR officials, only approximately 2 percent of the debt referred to the Treasury is collected.

Considering that OE assesses penalties by violation by day, delays in referrals or enforcement action may also result in higher civil penalty amounts; that is, the duration of noncompliance can increase the penalties imposed. For example, in Case No. CP21-174, the civil penalty assessment for the 31 violations identified would have been \$3,100 if the company had corrected the violation within 50 days of OE's 2021 NONC. However, the company did not correct the violation in a timely manner and ONRR did not issue an FCCP until 2023, meaning the penalty amount doubled for each violation and increased every day until the company corrected the noncompliance, resulting in a \$18,216 civil penalty (see Figure 10).

**Figure 10: Example of Penalty Calculation for a Curable Violation**

Civil Penalty Calculation <sup>50</sup>	Total Civil Penalty Amount
\$2 x 50 days x 31 violations	\$3,100
\$4 (FCCP) <sup>51</sup> x 101 days x 28 violations	\$11,312
\$4 x 199 days x 1 violation	\$796
\$4 x 276 days x 1 violation	\$1,104
\$4 x 476 days x 1 violation	\$1,904
<b>Total Penalty Amount</b>	<b>\$18,216</b>

<sup>49</sup> ONRR refers cases to the Treasury when the debt has been outstanding for 120 days or more. In addition to the civil penalties and royalties mentioned in the report, ONRR referred \$7.9 million in other debts (including fees, interest, rents, and minimum royalties) to the Treasury during FYs 2021 through 2023.

<sup>50</sup> The amount is based on ONRR's Matrix of Curable Violations for a "very small" company with no violation history.

<sup>51</sup> For the FCCP amount, the civil penalty doubles per violation once the company fails to correct the noncompliance identified in NONC.

As noted in cases we reviewed, by the time enforcement received these referrals, the cases were, at times, unenforceable because ONRR could not locate the individual responsible for issuing payments or companies went bankrupt. For example, ONRR classified three of the cases we examined as unenforceable and closed them because the companies went bankrupt or could not be located. ONRR archived two additional referrals without opening an enforcement case for the same reasons. As discussed above, some cases (e.g., Case No. CP23-241) were approaching the statute of limitations, affecting ONRR's ability to enforce the regulations.

ONRR officials stated that only 2 percent of the debt it refers to the Treasury is ever collected. This suggests that ONRR's actions are the primary method by which these types of debt are collected; ONRR's delays in identifying noncompliance for enforcement therefore increase the risk that it will be unable to fulfill its responsibilities under FOGRMA to collect and account for royalties in a timely manner.

## Recommendations

We recommend that ONRR:

1. Update its policies and procedures to establish conditions that warrant or require a referral to ONRR Enforcement, such as the maximum number of informal compliance attempts or maximum number of days since an effort to obtain compliance was initiated, to provide sufficient time to resolve the case before expiration of the statute of limitations.
2. Establish a process to periodically evaluate identified cases of noncompliance that have not been referred to enforcement to determine whether open cases may require additional actions, such as an enforcement referral or escalation.
3. Update its policies and procedures to prioritize referring cases related to unpaid royalties to ONRR Enforcement based on defined conditions, to include dollar thresholds, material significance, or when companies are repeat offenders.

## OE Did Not Pursue Enforcement Actions Even Under Circumstances That May Have Warranted Such an Approach

Federal laws and regulations require lessees to report the volumes of natural resources, such as oil and gas extracted from Federal lands, Indian lands, and the OCS. They must also report and pay associated royalties by statutory deadlines. Additionally, these regulations authorize ONRR to assess penalties to companies that fail to comply. Before imposing a penalty for a curable violation, ONRR must notify the responsible party of the violation and potential penalty, giving an opportunity to correct the issue.<sup>52</sup> The regulation states that the penalty shall increase if after due notice of the violation, and after 40 days of receiving the notice, the violation is not corrected. For violations considered knowing or willful (such as failing to pay royalties on time), the opportunity to correct the violation does not apply and the penalty continues accumulating until the violation is corrected.<sup>53</sup> If ONRR reduces the amount of an applicable penalty, regulations require ONRR to document the reason for the reduction. ONRR delegated responsibility to assess penalties to its OE.

According to OE's policies and procedures, "when assigning a case, the supervisor generally selects the most egregious violation type unless there are circumstances indicating that a lesser violation should be chosen."<sup>54</sup> For example, if OE receives a case for failure to submit Form 2014, this case is considered a curable violation for which OE must provide the lessee an opportunity to correct the issue prior to issuing a penalty. However, if the lessee also did not pay the royalties in a timely manner, this type of violation should be classified as

<sup>52</sup> 30 U.S.C. § 1719(a)(1); 30 C.F.R. § 1241.52.

<sup>53</sup> 30 C.F.R. § 1241.60.

<sup>54</sup> *Enforcement Business Process, Intake and Assignment, A03 - Supervisor Assigns Case.*

non-curable, which allows OE to issue an ILCP. Therefore, pursuant to its own policies, OE should generally pursue this more egregious violation first.

However, we found that OE did not pursue the most egregious violations when enforcing compliance. We examined 40 of the 841 cases of noncompliance referred to OE from various groups within ONRR during FYs 2021 through 2023 to determine whether OE assessed penalties in accordance with laws, regulations, and its policies and procedures. Of the 40 cases we reviewed, we found 25 cases where enforcement actions were not ultimately sufficient to address the nature or type of violation pursuant to the guidance that was included in its own policies as a recommended approach (see Appendix 4). For example, we identified 13 cases, generally involving unpaid royalties, for which OE chose to pursue a less egregious violation (failure to submit or correct Form 2014) and continued informal compliance efforts rather than issuing an ILCP. In 12 additional cases, OE continued informal efforts to seek compliance and collect payments instead of issuing a NONC immediately after confirming the noncompliance. In some of these cases, OE eventually issued a NONC, and the companies complied before the deadline. In other cases, the companies failed to comply with the NONC deadline, yet OE still did not assess a civil penalty.

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**In the 40 cases we reviewed, we found:**

- **13 cases** where an ILCP was appropriate, but no penalty assessed.
  - **12 additional cases** where substantial informal compliance attempts were ineffective.<sup>55</sup>
- 

For example, in Case No. CP23-305, the investigator issued a NONC with a 30-day window to submit or correct Form 2014. OE continued attempting informal compliance by sending multiple emails and granted extensions for several months. Instead, according to its policy, OE should have issued an FCCP once the company had not corrected the violations by the deadline. Moreover, this company had a history of noncompliance. When we asked OE why it did not pursue the most egregious violation (failure to pay), OE responded that it did not escalate the penalty because it had not received a prior case related to royalty reporting for this company. However, we found multiple additional cases for this company for failure to submit Form 2014s. In one of these cases, the company owed an additional \$1.4 million in royalties or other obligations.

In another example (Case No. CP23-208), the investigator described the noncompliance as “a mix of months where we have either no Form-2014 reporting (when production reports indicate that royalty-bearing minerals were produced or sold) or the Form-2014 reporting is dramatically inconsistent with the production reporting.” In this case, the company did not file 84 reports due from January 2021 through April 2023 and understated its production reporting on 30 additional Form 2014s. The investigator contacted the company seeking informal compliance and closed the case when the investigator confirmed the missing royalty reports were filed. However, in an email from the investigator to the company, the investigator stated that the case would be closed without penalties and that “the company has not yet paid the \$37,823.50 in royalties associated with this reporting.” This company had 11 additional violation cases, including 5 cases for failure to submit or correct royalty reports. Because of this company’s history of noncompliance and OE’s knowledge of outstanding royalties due, OE’s own policies provided that, absent extenuating circumstances, OE should have issued an ILCP for at least \$113,471 (the lesser of the accrued penalty of \$17,384,400 or three times the royalties owed).<sup>56</sup> See Figure 11 for our ILCP calculation.<sup>57</sup>

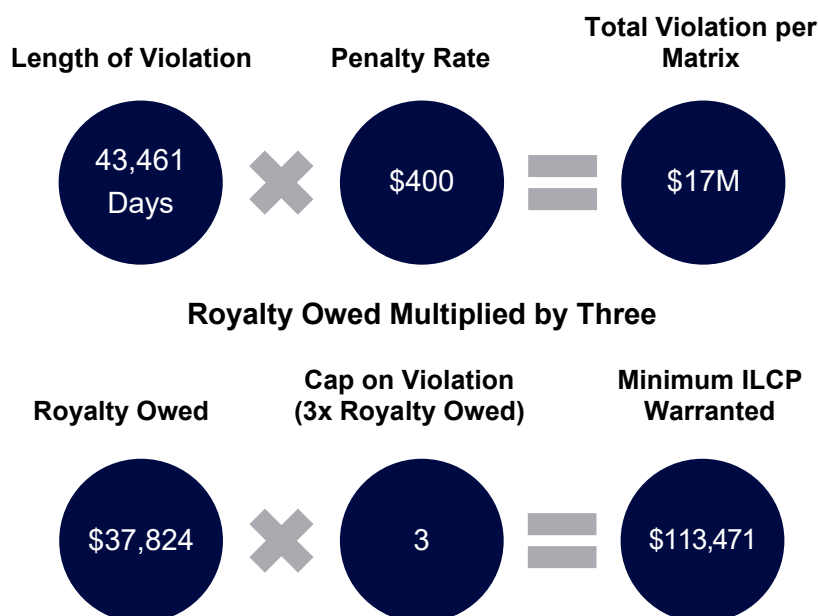
<sup>55</sup> We considered ONRR to have used “excessive” attempts at informal enforcement when OE continued compliance efforts in the following circumstances: (1) after other ONRR directorates were unsuccessful with similar efforts and (2) when more severe or formal enforcement actions, such as penalty assessment, were warranted pursuant to its own policies.

<sup>56</sup> Based on OE’s ILCP matrix, the civil penalty assessed for a knowing or willful failure to pay royalties will be initially capped at three times the principal amount of the unpaid or underpaid royalties.

<sup>57</sup> In other cases we reviewed, we were unable to calculate the potential penalty amounts without payment schedules and other supporting documentation that was not included in the case file based on the type of violation that OE pursued (i.e., reporting and payment cases include differing support).



**Figure 11: ILCP Calculation for Case No. CP23-208**



In Case No. CP23-145, the company received a NONC for failure to pay nonroyalty obligations<sup>58</sup> on five leases on September 28, 2023. The NONC specified that the responsible party needed to comply within 20 days, otherwise OE could assess a civil penalty. During our testing, we noted that no civil penalty had been assessed as of June 2024. When we asked why there was no documentation of enforcement actions in the case file after the company failed to comply, OE officials responded that they had to perform additional analysis to determine that the company did not correct the violations and that OE would be issuing an FCCP soon unless the company provided sufficient mitigation. While OE stated it conducted additional analysis, it provided no evidence of enforcement actions and did not assess a civil penalty in a timely manner.

These examples illustrate that OE did not pursue effective enforcement actions, such as penalties authorized by FOGDMA, to encourage compliance and deter future violations. This occurred because OE's policies and procedures do not define conditions that warrant the immediate issuance of NONCs without additional attempts to follow up and gain compliance. The investigators told us that they send multiple emails to the companies to obtain informal compliance because that is their default strategy for correcting noncompliance issues. However, while pursuing informal compliance generally results in closing a case more quickly, we found that it did not in every case—or even consistently—prevent future noncompliance with laws and regulations. In the cases we reviewed, ONRR's referring directorates had already unsuccessfully performed these informal compliance efforts, and we identified no information as to why the same approach continued to be taken notwithstanding this fact. Additionally, OE's procedures did not require documenting any determinations to reduce or forego penalties. Likewise, its procedures did not dictate prompt issuance of an FCCP when violations in the NONC are not remediated by the established due date or prompt issuance of an ILCP in cases of unpaid royalties or other non-curable violations. Finally, OE did not follow its policies and procedures that required either pursuit of the most egregious violations or a justification for selecting a lesser violation.

As a result, many companies have continued to disregard the laws and regulations and commit subsequent violations (see Figure 9 above). By continuing to pursue informal compliance efforts that other ONRR program areas have already undertaken, OE compliance activities are frequently duplicative and may lead to a lack of appropriate enforcement actions, resulting in wasted time and resources. In addition, ONRR is unable to collect royalties in a timely manner and is missing the opportunity to collect penalties, where appropriate, as an additional revenue source.

<sup>58</sup> Nonroyalty obligations are rents owed on mineral or energy leases without production as set forth in the terms of the lease.

## Recommendations

We recommend that ONRR:

4. Update policies and procedures to define conditions that may warrant the immediate issuance of Notices of Noncompliance without additional ONRR Enforcement attempts to follow up and gain compliance (for example, when companies disregarded compliance and collection attempts from the referrers).
5. Update policies and procedures to require prompt issuance of a Failure to Correct Civil Penalty when violations communicated in the Notice of Noncompliance are not cured by the due date.
6. Establish procedures to identify unpaid royalties related to missing reporting cases and issue Immediate Liability Civil Penalties unless an exception is warranted and adequately documented.
7. Update procedures for instances when ONRR Enforcement decides to forego issuing a penalty when such penalty was warranted, including documenting the reasons for such determination.
8. Provide training on updated procedures to ensure all investigators consistently pursue issuing penalties when warranted or document any exceptions.
9. Evaluate and report on the compliance of the responsible parties associated with the 25 cases of insufficient enforcement actions to determine if the entities corrected the identified violations.

## OE Did Not Consistently Verify Compliance Prior To Closing Enforcement Cases

Federal regulations require operators of Federal or Indian oil and gas leases that contain one or more wells that are not permanently plugged or abandoned to submit production reports (OGORs).<sup>59</sup> When operators report volumes of oil and gas extracted under those leases, they are responsible for reporting and paying royalties. Therefore, to be fully compliant with the regulations, companies must have issued production OGORs, submitted Form 2014s, and paid royalties by the respective due dates.

We found that OE did not verify companies were in full compliance prior to closing enforcement cases. Specifically, OE did not (1) search for collateral cases prior to closing enforcement cases and (2) coordinate with the relevant surface management agency (SMA)<sup>60</sup> when OE could not identify a responsible party.

## OE Did Not Routinely Search for Collateral Cases

OE procedures require its investigators to verify compliance prior to closing an enforcement case. Specifically, investigators are required to search for collateral violations, which are violations associated with the same lease when the operator and the payor are the same.<sup>61</sup> In addition, OE must complete a peer review to ensure that case closure is consistent with the enforcement procedures.<sup>62</sup>

We examined the 32 closed cases from our sample to determine if OE verified that full compliance was achieved prior to closing enforcement cases (see Appendix 4). We grouped the cases by violation type and noted that OE closed four of the five missing OGOR cases without confirming that the companies submitted

<sup>59</sup> 30 C.F.R. § 1210.101.

<sup>60</sup> SMAs are the agencies responsible for the administration of the Federal mineral estate (i.e., BLM, BOEM, and BIA).

<sup>61</sup> *Enforcement Business Processes, Investigation, B08 - Collateral Violations and B02-Confirm Violations and Enforceability.*

<sup>62</sup> *Enforcement Business Process, Case Closure, N040 – Case Closure Peer Review.*

Form 2014s and payments. In addition, OE closed two missing Form 2014 cases without verifying that royalties were paid (see Figure 12).

**Figure 12: Exception Rate Per Violation Type**

<b>Violation Type</b>	<b>Sampled Items</b>	<b>Exceptions</b>	<b>Exception Rate (%)</b>
Failure to Submit 2014s	14	2	14
Failure to Submit OGORs	5	4	80
Other Violation Types	13	0	0
<b>Total</b>	<b>32</b>		

For example, in Case No. CP23-355, the investigator closed the case after confirming with the referrer that the missing production reports were filed, but OE did not verify that royalty reports were also filed and that royalties were paid. We noted unreported and unpaid royalties of \$41,747. Therefore, the case was closed without ensuring the company was in full compliance.

In another instance (Case No. CP22-183), OE pursued a company for missing Form 2014 reporting; however, the referrer also indicated there were missing OGORs from February through August 2022, and the company had not made payments on the leases. Despite being aware of the multiple violations, the investigator did not open a collateral violation case and did not ensure the company complied with all the reporting and payment requirements prior to closing the case. Without documentation of production volumes, we were unable to quantify royalties owed or potential penalty amounts.

The issues we found in 80 percent of the OGOR cases we sampled present concerns that OE may not detect other collateral violations. In addition to the 5 OGOR cases we examined, OE received 141 missing OGOR cases between October 1, 2020, and September 30, 2023, that we did not test. OE uses production volumes reported in OGORs to identify missing and underreported royalties on Form 2014s and missing payments. Therefore, by investigating and closing OGOR cases without searching for other related cases, OE may not detect and deter more serious noncompliance, such as missing payments. Based on the results of our sample testing, OE potentially closed a number of these cases without ensuring the company reported and paid the royalties.

## **OE Did Not Coordinate With SMAs To Confirm Lease Status**

According to OE's procedures for case closure, investigators must maintain supporting documentation, and both the investigator and peer reviewer must use their judgment to determine the necessary documentation to justify closing the case.<sup>63</sup> OE procedures for referral to the SMA require a referral letter to the cognizant agency when OE has exhausted enforcement actions without success.<sup>64</sup>

To determine whether OE completed its due diligence before closing enforcement cases, we reviewed the extent to which OE coordinated with the SMAs to confirm that wells were inactive when ONRR was unable to identify a responsible party for the reporting and payment of royalties on certain leases. We examined three unenforceable cases from our sample and five referrals that OE closed without opening an enforcement case because OE deemed the cases unenforceable.<sup>65</sup>

We identified one case and two referrals that OE closed after it was unable to locate a responsible party or the companies went bankrupt, but there was no evidence of coordination with the SMA to request or verify termination of the leases. OE's policies and procedures state that the investigator and peer reviewer must use

<sup>63</sup> *Enforcement Business Process, Case Closure, N020 - Closure Note.*

<sup>64</sup> *Enforcement Business Process, Follow-Up Process (Post-Penalty), J040 - Refer to Surface Management Agency.*

<sup>65</sup> Unenforceable cases occur when ONRR has incomplete or inaccurate information for responsible parties due to changes in ownership, changes in responsible parties, or bankruptcies, and companies do not inform ONRR.

their judgment to determine the documentation necessary to justify case closure. While this policy does not specifically require evidence of coordination with the SMA, this evidence is necessary to ensure that the SMAs take appropriate action to prevent companies that did not adhere to lease terms from removing natural resources.

For example, in Case No. CP22-193, the investigator closed the case as unenforceable in December 2022 because the company had been sold, and OE did not have records of the new responsible party. OE did not coordinate with the SMA to obtain more information or request cancellation of the lease, potentially allowing continued operations without enforcing the reporting and payment requirements. A year later, in December 2023, OE opened a new case (Case No. CP23-357) for the same company and lease.

These issues occurred because OE's internal control to ensure compliance with the procedures—the peer review—is not adequately designed. Although OE regularly performed peer reviews, those reviews did not include verification of complete compliance or a search for collateral cases. Specifically, the peer review checklist does not have a requirement to verify that the investigator performed a search for collateral violations. It also lacks a requirement for coordination with the SMAs for unenforceable cases. Furthermore, OE's procedures for researching collateral violations and closure of unenforceable cases are vague and do not provide sufficient detail or specify the requirements that investigators must meet. OE's policy for unenforceable violations requires case documentation such as well status data or communication with the SMA, but it does not describe when coordination with the SMA should occur or when well verification and shut-in requests<sup>66</sup> are necessary.

As a result of not fully searching for collateral violations or coordinating with the SMAs, ONRR is unable to ensure that operators and payors are fulfilling their obligations to report and pay royalties for mineral resources extracted from Federal lands. Furthermore, the lack of coordination may result in wasted Government resources when violations previously deemed unenforceable are referred to OE. Additionally, companies might continue extracting natural resources from Federal or Indian lands without paying royalties owed.

## Recommendations

We recommend that ONRR:

10. Update policies and procedures with clear instructions on the steps necessary to ensure that companies have achieved full compliance, including searching for collateral violations and coordination with other ONRR divisions for verification that there are no other related violations prior to closing the case.
11. Update ONRR Enforcement's policies and procedures to ensure coordination with the surface management agency to verify well status or well shut-in requests prior to closure of unenforceable cases or archiving referrals.
12. Update the enforcement peer review process to include verification that a search for collateral violations was performed and, for cases closed as unenforceable, that coordination with the surface management agency was performed.
13. Evaluate and report on the compliance of the responsible parties associated with the six closed reporting cases to ensure each company submitted all the required reports and payments or pursue appropriate enforcement actions.

<sup>66</sup> BLM or BOEM may initiate, or BIA or ONRR may request, an order for an operator to shut in a well or to cease production.



# Conclusion and Recommendations

## Conclusion

Each year, ONRR collects approximately \$18 billion in energy and mineral royalties and revenues. We found that ONRR did not effectively enforce laws and regulations to ensure the timely reporting and payment of those royalties and revenues. Delays in referring cases to OE contributed to deferred or uncollectible royalties and civil penalties, of which ONRR referred \$27.7 million to the Treasury from FYs 2021 through 2023. Additionally, OE's approach toward noncompliance and imposition of penalties failed to deter companies' disregard of legal and regulatory requirements. Finally, OE's failure to follow its own policies and procedures, which require investigating collateral violations, further delayed revenue collection and allowed noncompliance to persist.

The deficiencies we found occurred because ONRR's policies and procedures do not establish conditions or describe minimum thresholds when particular referral or enforcement actions are required. In addition, ONRR's procedures lacked clear instructions for its staff to ensure that companies have achieved full compliance, including searching for collateral violations. Further, OE's focus was on gaining informal compliance and closing enforcement cases quickly. In practice, these informal compliance attempts may not have been effective in preventing future noncompliance, as illustrated in several cases we reviewed.

While our review involved a sample of 40 cases, our findings highlight issues that may be applicable across the 841 enforcement cases in the audit universe, cases opened by OE after September 30, 2023, and cases that were never referred to OE.

We make 13 recommendations to help ONRR improve its procedures for enforcing compliance, including issuing penalties for violations of reporting and payment requirements.

## Recommendations Summary

We provided a draft of this report to ONRR for review. In that draft, we recommended that ONRR initiate enforcement actions in a timely manner, pursue civil penalties based on the severity and frequency of the violations, and follow established policies and procedures to help ensure lessees or responsible parties correct all violations prior to closing enforcement cases. ONRR concurred with eight recommendations, partially concurred with four recommendations, and did not concur with one recommendation. ONRR expressed concerns about its limited resources and suggested that it would not be able to fully implement proposed actions; it also stated that it considered its compliance strategy to be effective. While we agree that ONRR's limited resources restrict its ability to refer all cases of noncompliance to OE, the goal of our report is to identify ways that ONRR's compliance efforts could be improved with additional guidance. ONRR's response also included technical comments, which we evaluated. Where appropriate, we made changes to the final report based on those comments.<sup>67</sup> We consider 10 recommendations resolved and 3 recommendations unresolved. We determined that Recommendations 4, 6, 10, and 11 are significant and will be reported as such in our semiannual report to Congress in accordance with the Inspector General Act.<sup>68</sup> Below we summarize ONRR's response to our recommendations, as well as our comments on its response. In particular, if ONRR did not concur, we provided additional explanation of the importance of addressing the identified issues. See Appendix 5 for ONRR's response.

<sup>67</sup> ONRR disagreed with our conclusions on timeliness of referrals, stating that the statute of limitations allows ONRR ample time to obtain compliance or pursue civil penalties through its established compliance strategy. ONRR also detailed resource constraints and stated that our draft report failed to recognize these limitations. We included additional information related to these topics in the "Background" and "Results of Audit" sections of our final report. As is part of our typical process, we anticipate further discussions with ONRR officials regarding their technical comments.

<sup>68</sup> The Inspector General Act of 1978, 5 U.S.C. § 405(b), requires inspectors general to prepare semiannual reports summarizing OIG activities during the immediately preceding six-month periods ending March 31 and September 30. It also states that these semiannual reports shall include an identification of each "significant recommendation" described in previous semiannual reports on which corrective action has not been completed.

We recommend that ONRR:

1. Update its policies and procedures to establish conditions that warrant or require a referral to ONRR Enforcement, such as the maximum number of informal compliance attempts or maximum number of days since an effort to obtain compliance was initiated, to provide sufficient time to resolve the case before expiration of the statute of limitations.

**ONRR Response:** ONRR concurred with this recommendation and stated it “will review and update these policies and procedures as needed, specifying when a verified violation of a natural resource revenue law, as determined by an ONRR subject matter expert, must be referred to OE.”

ONRR provided a June 30, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-01.<sup>69</sup>

**OIG Comment:** This recommendation will be implemented when ONRR provides evidence that it updated and implemented policies defining the criteria it will use to ensure timely referral of violations to OE.

2. Establish a process to periodically evaluate identified cases of noncompliance that have not been referred to enforcement to determine whether open cases may require additional actions, such as an enforcement referral or escalation.

**ONRR Response:** ONRR did not concur with our original recommendation to establish an annual process for evaluating previously identified cases of noncompliance that have not been referred to enforcement. Instead, ONRR stated that its “compliance cases will be aligned with [its] 2026 through 2028 compliance strategy, risk modules, and accompanying work plan, with cases assigned to preceding compliance activities throughout each year.” ONRR further stated that all cases will follow existing enforcement referral policies and procedures.

**Status:** Unresolved. We will follow up with ONRR regarding resolution of Recommendation No. 2024-CR-008-02.

**OIG Comment:** ONRR’s response did not address the intent of our recommendation, which was for ONRR to establish a recurring review of open noncompliance cases to ensure that none are overlooked or delayed inappropriately—particularly those that may require escalation or enforcement referral, such as repeated violations. ONRR’s updated compliance strategy was not available during our audit period, and it was not provided in the response to the draft report; therefore, we were unable to evaluate whether it includes a planned review of open noncompliance cases. Without an ongoing review process, ONRR risks allowing unresolved cases to remain inactive, potentially undermining enforcement effectiveness and delaying royalty collection. While the recommendation in our draft report called for an annual review, to address ONRR’s response, we updated this recommendation to allow for a more flexible, periodic evaluation of identified cases of noncompliance to determine if additional action is necessary.

This recommendation will be resolved when ONRR provides more information regarding its compliance strategy, risk modules, and work plan or when it agrees to establish a process to periodically evaluate previously identified cases of noncompliance that have not been referred to enforcement to determine whether open cases may require additional actions, such as an enforcement referral or escalation. It will be implemented when ONRR provides documentation that its compliance strategy and work plan include provisions that allow it to effectively address open noncompliance cases or documentation that it began to periodically review open noncompliance cases to assess if the cases should be escalated as recommended.

<sup>69</sup> The numbering convention we use to track recommendations is the report number followed by sequential recommendation digits.

3. Update its policies and procedures to prioritize referring cases related to unpaid royalties to ONRR Enforcement based on defined conditions, to include dollar thresholds, material significance, or when companies are repeat offenders.

**ONRR Response:** ONRR partially concurred with our recommendation and stated it “will review and update the existing process for referring cases related to unpaid royalties to OE.” ONRR said it “will evaluate its priorities and obligations,” including trust responsibility, and will “consider explaining in the policy and procedures how cases are prioritized.” However, ONRR did not concur with establishing defined conditions, to include dollar thresholds, stating that other priorities may require enforcement actions for smaller dollar amounts.

ONRR provided a June 30, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-03.

**OIG Comment:** With respect to ONRR’s concern regarding inclusion of a dollar threshold, we included such thresholds in our recommendation to emphasize the importance of considering materiality in enforcement decisions. This consideration does not conflict with ONRR’s statutory responsibilities and can be implemented by defining specific thresholds for matters with particular statutory requirements (e.g., Indian leases). Nonetheless, given ONRR’s view that its multiple priorities for enforcement counsel against inclusion of dollar thresholds as the sole consideration, we updated this recommendation to include any condition of material significance.

This recommendation will be implemented when ONRR provides evidence that it updated its procedures for referring unpaid royalties cases to OE, to include risk factors and obligations such as dollar thresholds, material significance, or repeated violations.

4. Update policies and procedures to define conditions that may warrant the immediate issuance of Notices of Noncompliance without additional ONRR Enforcement attempts to follow up and gain compliance (for example, when companies disregarded compliance and collection attempts from the referrers).

**ONRR Response:** ONRR concurred with this recommendation and stated that it “will review and update the policies and procedures to also consider [foregoing] informal compliance attempts if the alleged violator disregarded compliance attempts from the referrer.”

ONRR provided a January 30, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-04.

**OIG Comment:** This recommendation will be implemented when ONRR provides the revised policies and procedures, including the criteria or conditions that OE will use to determine that a case warrants the immediate issuance of a NONC. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

5. Update policies and procedures to require prompt issuance of a Failure to Correct Civil Penalty when violations communicated in the Notice of Noncompliance are not cured by the due date.

**ONRR Response:** ONRR concurred with this recommendation and stated it “will review and update the policies and procedures to require prompt issuance of a Failure to Correct Civil Penalty when violations communicated in the Notice of Noncompliance are not cured by the due date.”

ONRR provided a January 30, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-05.

**OIG Comment:** This recommendation will be implemented when ONRR provides documentation demonstrating that it has updated its policies and procedures to require prompt issuance of an FCCP when violations communicated in the NONC are not cured by the due date.

6. Establish procedures to identify unpaid royalties related to missing reporting cases and issue Immediate Liability Civil Penalties unless an exception is warranted and adequately documented.

**ONRR Response:** ONRR partially concurred with this recommendation and stated it “will review and update its procedures to specify what further action is needed and when to consider an Immediate Liability Civil Penalty (ILCP) for the knowing or willful failure to pay royalties in lieu of, or in addition to, the referred missing reporting case.” ONRR also stated that it will “review and update its procedures related to documenting exceptions to issuing penalties when otherwise warranted.”

ONRR, however, said it did not concur that “royalty reporting cases that may uncover unpaid, underpaid, or late paid royalties generally warrant a collateral OE case to consider an ILCP” and did not concur that missing production report referrals generally warrant a collateral OE case for missing royalty reports. ONRR further stated that implementing our recommendation would be “inefficient and diminish the return to the American people.” ONRR said its position is that “subject matter experts from the preceding compliance activities should initially identify and address the violations. If they remain unresolved, cases should be referred to OE through the standard processes.”

ONRR provided a March 31, 2026 target implementation date.

**Status:** Unresolved. We will follow up with ONRR regarding resolution of Recommendation No. 2024-CR-008-06.

**OIG Comment:** While ONRR agreed to update its policies and procedures to specify when to consider issuing an ILCP and to document the reasons for foregoing issuing penalties when warranted, it did not commit to establishing a proactive approach to identify unpaid royalties related to missing reporting cases and issuing ILCPs unless exceptions are warranted.

ONRR’s position that royalty reporting cases do not generally warrant collateral enforcement referrals to OE to consider an ILCP is inconsistent with its own policies; these policies require OE to search for collateral violations, such as verifying whether lessees paid the royalties they reported. When a lessee or responsible party issues a production report declaring that it extracted minerals, it is acknowledging that production occurred under the terms of the lease. By submitting this report, the party demonstrates awareness that royalties are due as specified in the lease agreement. That is, the act of reporting production establishes that the party knew, or should have known, that royalty obligations were due. In cases where companies did not report production and did not pay royalties, ONRR considers the failure to pay to be more egregious than the failure to report. In following its own guidance to pursue the most egregious violation (unless an exception is warranted), ONRR may assess an ILCP for the failure to pay if the violation was knowing or willful.

With respect to ONRR’s assertion that implementing this recommendation would be “inefficient and diminish the return to the American people,” we do not suggest that ONRR cannot or should not exercise discretion in making enforcement decisions. Rather, our recommendation is intended to assist ONRR in fulfilling its mission in a way that best enables effective collection of royalties. Establishing clear procedures to identify and escalate cases in appropriate circumstances will help ONRR make those determinations and help it assess when it is appropriate and efficient to use the ILCP process to address noncompliance.

This recommendation will be resolved when ONRR defines its strategy for detecting related “collateral” cases of noncompliance prior to closing enforcement cases and for issuing ILCPs unless an exception to a penalty is warranted. It will be implemented when ONRR provides documentation demonstrating that it has established procedures to identify unpaid royalties related to missing reporting cases and issue ILCPs unless an exception is warranted and adequately documented. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

7. Update procedures for instances when ONRR Enforcement decides to forego issuing a penalty when such penalty was warranted, including documenting the reasons for such determination.

**ONRR Response:** ONRR concurred with this recommendation and stated that it “will review and update the policies and procedures for documenting when a penalty is warranted and is not pursued.”

ONRR restated its comments from the response to Recommendation 6 regarding collateral OE cases, the efficiency of implementing our recommendation, and subject matter experts’ role in identifying and addressing violations.

ONRR provided a March 31, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-07.

**OIG Comment:** This recommendation will be implemented when ONRR provides documentation demonstrating that it has updated its policies and procedures to require OE to document its rationale when it decides to forego issuing a penalty when such penalty was warranted.

8. Provide training on updated procedures to ensure all investigators consistently pursue issuing penalties when warranted or document any exceptions.

**ONRR Response:** ONRR concurred with this recommendation and stated that it “will provide training to all investigators on the updated procedures related to ONRR’s responses and implementation of the recommendations.”

ONRR provided a May 29, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-08.

**OIG Comment:** This recommendation will be implemented when ONRR provides documentation demonstrating that it has provided training to its investigators on pursuing penalties and documenting exceptions.

9. Evaluate and report on the compliance of the responsible parties associated with the 25 cases of insufficient enforcement actions to determine if the entities corrected the identified violations.

**ONRR Response:** ONRR partially concurred with this recommendation and stated it “will evaluate and report on the compliance status of the 12 cases marked as ‘Excessive Informal Compliance Attempts’ and the 13 cases marked as ‘ILCP Warranted’ identified” in the draft report.

ONRR stated that it did not concur that there were insufficient enforcement actions related to the cases we identified or that these cases failed to establish that the referred violations were corrected. ONRR further discussed its disagreement with our conclusions that cases had excessive informal compliance attempts or that an ILCP was warranted and restated information previously shared in response to Recommendation 6.

ONRR provided an April 30, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-09.

**OIG Comment:** We determined that enforcement actions were insufficient in cases in which ONRR did not pursue a civil penalty and instead provided multiple informal compliance opportunities despite ongoing noncompliance. We also identified cases in which ONRR did not pursue an ILCP even when it had evidence that a lessee had failed to pay royalties but did not document a justification for not issuing the penalty.

Contrary to the assertions in ONRR’s response, we did not measure cases of excessive informal compliance based solely on the number of days from when reports were due until the date ONRR



initiated compliance activities. Instead, our assessment considered the full compliance process, including the fact that other ONRR divisions had already attempted to obtain compliance and that responsible parties had not taken action based on those efforts. We also reviewed the number and frequency of followup emails OE sent to the violators before a NONC or penalty was issued (if it was issued).

Additionally, we considered an ILCP to be warranted in cases where a company reported royalties owed but either failed to pay them or failed to pay them in a timely manner. We recognize, though, that there may be instances in which the lack of payment was unintentional. In such cases, ONRR should establish and follow a process to formally document the justification for not issuing an ILCP as set forth in Recommendation 7.

This recommendation will be implemented when ONRR provides documentation demonstrating that it has evaluated the compliance status of the 25 cases we determined had insufficient enforcement actions.

10. Update policies and procedures with clear instructions on the steps necessary to ensure that companies have achieved full compliance, including searching for collateral violations and coordination with other ONRR divisions for verification that there are no other related violations prior to closing the case.

**ONRR Response:** ONRR partially concurred with our recommendation and stated that it “will review and update existing policies and procedures to provide clear instruction on the steps necessary to ensure that companies have achieved full compliance with the referred violation.” ONRR added that it “does not concur to the extent this recommendation seeks ONRR to identify all collateral royalty reporting and payment violations related to production reporting violations. ONRR divisions for verification have existing policies and procedures that identify related violations.”

ONRR provided a March 31, 2026 target implementation date.

**Status:** Unresolved. We will follow up with ONRR regarding resolution of Recommendation No. 2024-CR-008-10.

**OIG Comment:** While ONRR agreed to update its policies and procedures to include steps for ensuring full compliance with the referred violation, our recommendation is directed to the need to search for collateral violations and coordinate with other ONRR divisions to verify that no related violations exist before closing a case.

ONRR did not concur with the recommendation to identify all collateral royalty reporting and payment violations related to production reporting violations. However, ONRR’s existing policies and procedures already require OE staff to search for any collateral cases as part of their compliance responsibilities but lack instructions on how this should be accomplished. ONRR should modify these policies to include the specific steps that investigators must perform (depending on case type) to ensure that no other instances of noncompliance exist. For example, for missing production reports, investigators must verify that royalty reports are received and royalties are paid, if due. This could be accomplished by coordinating with other program areas or researching ONRR’s information systems.

Without clear, updated procedures that reinforce this requirement across divisions, ONRR risks closing cases prematurely, potentially leaving related violations unaddressed. ONRR’s procedures should require a coordinated, comprehensive review of all related obligations, not just the initially referred issue.

This recommendation will be resolved when ONRR agrees to update its policies and procedures to include the steps necessary for ensuring full compliance, including searching for collateral violations and coordinating with other ONRR divisions prior to closing the case. It will be implemented when ONRR provides evidence that it has updated its policies and procedures. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

11. Update ONRR Enforcement's policies and procedures to ensure coordination with the surface management agency to verify well status or well shut-in requests prior to closure of unenforceable cases or archiving referrals.

**ONRR Response:** ONRR concurred with this recommendation and stated it "will review and update existing policies and procedures to coordinate with surface management agencies as appropriate in OE cases that are closed or archived because they are unenforceable."

ONRR provided a February 27, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-11.

**OIG Comment:** This recommendation will be implemented when ONRR provides documentation demonstrating that it has updated its policies and procedures to ensure coordination with the SMA to verify well status or well shut-in requests prior to closing unenforceable cases or archiving referrals. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

12. Update the enforcement peer review process to include verification that a search for collateral violations was performed and, for cases closed as unenforceable, that coordination with the surface management agency was performed.

**ONRR Response:** ONRR concurred with this recommendation and stated it "will review and update existing peer review policies and procedures to verify that collateral violations were considered and to verify the appropriateness of closing cases as unenforceable."

ONRR provided a February 27, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-12.

**OIG Comment:** This recommendation will be implemented when ONRR provides documentation demonstrating that it updated its enforcement peer review policies and procedures to include verification that it performed a search for collateral violations and that it coordinated with the SMA for cases closed as unenforceable.

13. Evaluate and report on the compliance of the responsible parties associated with the six closed reporting cases to ensure each company submitted all the required reports and payments or pursue appropriate enforcement actions.

**ONRR Response:** ONRR concurred with this recommendation and stated it "will evaluate and report on the six 'Closed – Full Compliance' cases identified on pages 33 and 34 of the draft report with information that the OE investigator was able to reasonably confirm compliance, or that the matter was referred for further review through standard processes."

ONRR provided an April 30, 2026 target implementation date.

**Status:** Resolved. We will track implementation under Recommendation No. 2024-CR-008-13.

**OIG Comment:** This recommendation will be implemented when ONRR provides documentation demonstrating that it evaluated the compliance of the responsible parties associated with the six closed reporting cases to ensure each company submitted all required reports and payments or that ONRR pursued appropriate enforcement actions.

# Appendix 1: Scope and Methodology

## Scope

We audited ONRR's efforts to identify noncompliance and assess, issue, and collect civil penalties related to mineral and energy leases. The scope included enforcement cases OE opened from October 1, 2020, to September 30, 2023 (FYs 2021 through 2023). There were 841 cases of noncompliance in OE's case management system within this timeframe. We examined whether ONRR detection activities identified violations in reporting and payment of royalties and whether OE's actions were consistent with regulations and internal policies.

## Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed whether internal control was significant to the audit objectives. We determined that ONRR's control activities and the following related principles were significant to the audit objectives:

- The oversight body and management should demonstrate a commitment to integrity and ethical values.
- Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- Management should identify, analyze, and respond to risks related to achieving the defined objectives.
- Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
- Management should use quality information to achieve the entity's objectives.
- Management should remediate identified internal control deficiencies on a timely basis.

We tested the operation and reliability of internal controls over activities related to our audit objectives. Our tests and procedures included:

- Gathering background information on OE's work and mission.
- Interviewing officials, including ONRR's management and staff from OE and divisions that refer cases to OE.
- Reviewing evidence that supports OE's investigation of noncompliance cases and issuance of civil penalties, including correspondence with referrers and companies that committed violations.
- Conducting site visits to ONRR's offices in Lakewood, Colorado.
- Evaluating OE's collection efforts and criteria for closing sampled cases.

- Evaluating case timelines from the referral until the case was closed.
- Analyzing production and revenue data of referred noncompliance cases.

We found deficiencies in internal control resulting in our three findings: (1) ONRR's program areas failed to make timely referrals of violations to OE, (2) OE did not pursue enforcement actions even under circumstances that may have warranted such an approach, and (3) OE did not consistently verify compliance prior to closing enforcement cases.

We relied on computer-generated data provided by OE to assess if investigation of enforcement cases followed policies and procedures. We directly accessed OE's case management system to retrieve enforcement case documentation and corroborated data provided by OE through direct observation and when applicable, recalculation. We found the data to be reliable for the purposes of our project.

We obtained a list of 841 cases recorded in OE's case management system and a list of 42 referrals that were archived without opening an enforcement case. We analyzed various factors associated with these cases, including who referred the case, the type of violation, the investigator who worked on the case, the age of the case, penalty amounts, and other factors.

Based on the results of our initial assessments, we assigned a level of risk based on the case type or referral source, and we selected a judgmental sample of 40 enforcement cases to test if ONRR program areas referred the cases to OE in a timely manner, if OE assessed penalties proportionate to the violations committed, and if OE followed its policies and procedures including identifying and pursuing collateral cases (see Appendix 3). We selected an additional sample of 5 out of 42 cases that had been referred to OE and did not result in an enforcement case to ensure the investigators coordinated with the referrers and to verify that investigators followed OE procedures in determining that these violations did not warrant opening an enforcement case.<sup>70</sup> Additionally, we analyzed 9 out of 92 cases for which OE assessed a penalty to verify that OE calculated the penalties correctly and made appropriate efforts to collect the penalty, including referring the cases to the U.S. Department of the Treasury when applicable and coordinating with the surface management agency to terminate the leases when compliance was not achieved. We did not identify any issues related to these cases. We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed in each area. Our sample selections were not generated using statistical sampling; therefore, we did not project the results of our tests to the total population of transactions.

<sup>70</sup> *Enforcement Operations Business Process*, "Intake and Assignment," A02 - Supervisor Reviews Cases.

## Appendix 2: Penalty Matrices

ONRR's enforcement investigators use Table 1 and Table 2 (which follow on pages 31 and 32) as guides to determine the penalty amount for FCCPs and ILCPs, respectively. Investigators identify the violation type and follow the row to support the penalty amount. See "Civil Penalty Authority" in the report "Background" section for further detail.



**FAILURE TO CORRECT CIVIL PENALTY ASSESSMENT MATRIX - TABLE 1**  
 THESE PENALTY GUIDELINES APPLY WHEN YOU DO NOT CORRECT A VIOLATION BY  
 THE DATE INDICATED IN A NOTICE OF NONCOMPLIANCE UNDER 30 C.F.R. §§ 1241.50-1241.52  
 The Penalty Amount Applicable to Your Violation Type Accrues Daily Until the Violation is Corrected

<b>Violation Type</b>	<b>Very Small Business</b> <i>(&lt;25 Employees)</i>	<b>Small Business</b> <i>(25-500 Employees)</i>	<b>Large Business</b> <i>(&gt;500 Employees)</i>	<b>How We Count the Number of Violations</b>
Failure to submit or correct Oil and Gas Operations Reports, Form ONRR-4054 (OGORs) or Solid Minerals Production and Royalty Reports, Form ONRR-4430 (P&Rs).	\$1 ~ <b>\$2</b> ~ \$10	\$2 ~ <b>\$4</b> ~ \$20	\$4 ~ <b>\$8</b> ~ \$40	<i>Each line (well, disposition, and/or inventory) at issue per month.</i>
Failure to submit or correct Reports of Sales and Royalty Remittance, Form ONRR-2014 (2014s) or solid minerals sales summaries (using Form ONRR-4440 or otherwise).	\$2 ~ <b>\$4</b> ~ \$20	\$4 ~ <b>\$8</b> ~ \$40	\$8 ~ <b>\$16</b> ~ \$80	<i>Each line at issue per report month.</i>
Failure to comply with a final order or an appealed order not suspended under 30 C.F.R. Part 1243.	\$2 ~ <b>\$5</b> ~ \$25	\$5 ~ <b>\$10</b> ~ \$50	\$10 ~ <b>\$20</b> ~ \$100	<i>Per unresolved item for each product, month, and property.</i>
Failure to pay non-royalty obligation.	\$10 ~ <b>\$20</b> ~ \$100	\$20 ~ <b>\$40</b> ~ \$200	\$40 ~ <b>\$80</b> ~ \$400	<i>Each unpaid or underpaid aggregate monthly non- royalty obligation or bill.</i>
Failure to produce records or requested information.	\$10 ~ <b>\$20</b> ~ \$100	\$20 ~ <b>\$40</b> ~ \$200	\$40 ~ <b>\$80</b> ~ \$400	<i>Each category of records or information requested.</i>
Failure to timely file or update the Designation Form for Royalty Payment Responsibility, Form ONRR-4425 (4425).	\$12 ~ <b>\$25</b> ~ \$125	\$25 ~ <b>\$50</b> ~ \$250	\$50 ~ <b>\$100</b> ~ \$500	<i>Each unfiled or substantially inaccurate 4425 for each lease.</i>
Failure to timely file or update the Addressee of Record Designation for Service of Official Correspondence, Form ONRR-4444 (4444).	\$12 ~ <b>\$25</b> ~ \$125	\$25 ~ <b>\$50</b> ~ \$250	\$50 ~ <b>\$100</b> ~ \$500	<i>Each unfiled or substantially inaccurate 4444 for each applicable correspondence type.</i>
Failure to pay electronically.	\$62 ~ <b>\$125</b> ~ \$625	\$125 ~ <b>\$250</b> ~ \$1,250	\$250 ~ <b>\$500</b> ~ \$2,500	<i>Each payment submitted by non-electronic means.</i>
Failure to properly identify payment.	\$62 ~ <b>\$125</b> ~ \$625	\$125 ~ <b>\$250</b> ~ \$1,250	\$250 ~ <b>\$500</b> ~ \$2,500	<i>Each payment submitted without identifying information.</i>

**Notes:**

- The amounts in this Table are guidelines to foster penalty amount consistency. Bolded figures are the applicable standard assessments assuming no prior history of noncompliance. Upward and downward departures (aggravating and mitigating circumstances) must be justified in the case file and approved by the supervisor.
- To determine the size of the business, ONRR includes the number of employees in the company, as well as the number of employees in any parent company(ies) plus any subsidiaries and contractors as allowed by 30 C.F.R. § 1241.70(a)(3).
- The assessed penalty amount will be doubled after 40 days of continued noncompliance (from the date the Notice of Noncompliance was received).
- The civil penalty rates for repeated violations are doubled for second violations, tripled for third violations, quadrupled for fourth violations, and quintupled for fifth violations, subject to the maximum amounts provided in 30 C.F.R. § 1241.52.
- The failure to make ordered corrections or pay additional royalties as ordered may subject you to an Immediate Liability Civil Penalty Notice if your conduct was knowing or willful. (See Immediate Liability Civil Penalty Assessment Matrix - Table 2).
- Where the number of lines for production report (OGORs & P&Rs) or royalty report (2014s & sales summaries) violations cannot be computed or if counting at the line level produces unreasonable results, the violation may be counted on a product, well, lease, or property basis, with supervisory approval.
- This Table will be updated periodically in accordance with 30 C.F.R. § 1241.70.

*Approved Effective 11/16/2020*

## IMMEDIATE LIABILITY CIVIL PENALTY ASSESSMENT MATRIX - TABLE 2

THESE PENALTY GUIDELINES APPLY WHEN YOU COMMIT

A NON-CURABLE VIOLATION UNDER 30 C.F.R. § 1241.60

The Penalty Amount Applicable to Your Violation Type Accrues Daily Until the Violation is Corrected

Violation Type	Very Small Business (<25 Employees)	Small Business (25-500 Employees)	Large Business (>500 Employees)	How We Count the Number of Violations
Knowing or willful failure to pay royalties timely.	\$25 ~ <b>\$50</b> ~ \$500	\$50 ~ <b>\$100</b> ~ \$1,000	\$100 ~ <b>\$200</b> ~ \$2,000	Each late aggregate monthly royalty obligation or bill.
Knowing or willful failure to pay royalties.	\$50 ~ <b>\$100</b> ~ \$1,000	\$100 ~ <b>\$200</b> ~ \$2,000	\$200 ~ <b>\$400</b> ~ \$4,000	Each unpaid or underpaid aggregate monthly royalty obligation or bill.
Failure to permit an audit.	\$50 ~ <b>\$100</b> ~ \$1,000	\$100 ~ <b>\$200</b> ~ \$2,000	\$200 ~ <b>\$400</b> ~ \$4,000	Each major audit step (volume/ value/ royalty rate/ transportation allowance/ processing allowance) per property and product that could not timely be performed.
Knowing or willful <b>maintenance of inaccurate</b> information.	\$12 ~ <b>\$25</b> ~ \$250	\$25 ~ <b>\$50</b> ~ 500	\$50 ~ <b>\$100</b> ~ \$1,000	Each inaccurate report line or statement maintained.
Knowing or willful <b>maintenance of false or misleading</b> information.	\$50 ~ <b>\$100</b> ~ \$1,000	\$100 ~ <b>\$200</b> ~ \$2,000	\$200 ~ <b>\$400</b> ~ \$4,000	Each false or misleading report line or statement maintained.
Knowing or willful <b>submission of inaccurate</b> information.	\$25 ~ <b>\$50</b> ~ \$500	\$50 ~ <b>\$100</b> ~ \$1,000	\$100 ~ <b>\$200</b> ~ \$2,000	Each inaccurate report line or statement submitted.
Knowing or willful <b>submission of false or misleading</b> information.	\$100 ~ <b>\$200</b> ~ \$2,000	\$200 ~ <b>\$400</b> ~ \$4,000	\$400 ~ <b>\$800</b> ~ \$8,000	Each false or misleading report line or statement submitted.

### Notes:

- The amounts in this Table are guidelines to foster penalty amount consistency. Bolded figures are the applicable standard assessments assuming no prior history of noncompliance. Upward and downward departures (aggravating and mitigating circumstances) must be justified in the case file and approved by the supervisor.
- To determine the size of the business, ONRR includes the number of employees in the company, as well as the number of employees in any parent company(ies) plus any subsidiaries and contractors as allowed by 30 C.F.R. § 1241.70(a)(3).
- The civil penalty rates for repeated violations are doubled for second violations, tripled for third violations, quadrupled for fourth violations, and quintupled for fifth violations, subject to the maximum amounts provided in 30 C.F.R. § 1241.52.
- The civil penalty assessed for a knowing or willful failure to pay royalties (including failure to pay royalties timely) will be initially capped at three times the principal amount of the unpaid or under paid royalties. Should a violation not be cured within 30 days of the issuance date of an ILCP, additional penalties at the applicable assessment will accrue daily.
- For a failure to permit audit violation, the total penalty is limited to the maximum amount provided in 30 C.F.R. § 1241.60(b) for each audit.
- This Table will be updated periodically in accordance with 30 C.F.R. § 1241.70.

Approved Effective 11/16/2020

## Appendix 3: Sample Details

The table below illustrates how we adjusted our sample of 40 cases based on the type of case and testing performed and summarizes how many cases we analyzed to support each finding.

Finding	Details
ONRR's Program Areas Failed To Make Timely Referrals of Violations to OE	We selected 40 of the 841 cases of noncompliance referred to OE from various groups during FYs 2021 through 2023. We excluded six cases that were effectively outliers due to litigation periods that skewed timeliness, unclear referral dates, or other circumstances. We examined the remaining 34 cases to measure the time from when the report or payment was due to when the case was referred to OE.
OE Did Not Pursue Enforcement Actions Even Under Circumstances That May Have Warranted Such an Approach	We examined 40 of the 841 cases of noncompliance referred to OE to assess whether OE assessed penalties in accordance with laws, regulations, and its policies and procedures.
OE Did Not Consistently Verify Compliance Prior to Closing Enforcement Cases	
<i>OE Did Not Routinely Search for Collateral Cases</i>	Of the 40 cases sampled, 32 cases were closed at the time of our review. We examined the 32 closed cases to assess the completeness of investigators to verify compliance prior to closing the case.
<i>OE Did Not Coordinate With SMAs To Confirm Lease Status</i>	We examined 3 unenforceable cases from our sample of 32 closed cases and 5 referrals that OE closed as unenforceable without opening an enforcement case.

# Appendix 4: Results of Testing

The tables below identify our testing results and the cases examined for each type of testing. We include a brief description of the testing in each table.

## Timely Referral Testing<sup>71</sup>

Case No.	Date of Violation	Date Referred	Days Between Violation & Referral
CP21-032	07/13/2017	12/01/2020	1,237
CP21-081	05/22/2019	01/29/2021	618
CP21-119	01/01/2015	03/17/2021	2,267
CP21-124	09/30/2019	02/18/2021	507
CP21-174	12/31/2015	06/02/2021	1,980
CP21-190	08/31/2019	07/01/2021	670
CP21-204	01/01/2016	07/21/2021	2,028
CP22-016	02/08/2016	10/08/2021	2,069
CP22-100	08/31/2021	04/11/2022	223
CP22-107	Outlier	Outlier	Outlier
CP22-116	11/01/2018	05/17/2022	1,293
CP22-162	10/31/2021	06/13/2022	225
CP22-183	10/01/2019	07/21/2022	1,024
CP22-193	11/30/2020	08/05/2022	613
CP22-213	Outlier	Outlier	Outlier
CP23-041	Outlier	Outlier	Outlier
CP23-042	07/31/2022	11/28/2022	120
CP23-049	01/01/2017	11/10/2022	2,139
CP23-069	12/18/2020	12/16/2022	728
CP23-075	06/30/2021	01/10/2023	559
CP23-110	08/31/2021	02/24/2023	542
CP23-112	10/01/2018	02/28/2023	1,611
CP23-145	Outlier	Outlier	Outlier

<sup>71</sup> We tested the time between the date of the first violation and the date it was referred to OE.

<b>Case No.</b>	<b>Date of Violation</b>	<b>Date Referred</b>	<b>Days Between Violation &amp; Referral</b>
CP23-185	05/01/2017	05/05/2023	2,195
CP23-192	Outlier	Outlier	Outlier
CP23-206	Outlier	Outlier	Outlier
CP23-208	11/01/2020	06/02/2023	943
CP23-232	05/31/2020	06/23/2023	1,118
CP23-241	03/01/2017	06/27/2023	2,309
CP23-246	01/01/2022	06/27/2023	542
CP23-251	04/01/2019	06/27/2023	1,548
CP23-253	01/01/2017	06/27/2023	2,368
CP23-254	01/01/2017	06/27/2023	2,368
CP23-256	12/01/2018	07/05/2023	1,677
CP23-263	02/16/2021	07/11/2023	875
CP23-287	02/01/2012	07/25/2023	4,192
CP23-305	09/01/2017	08/11/2023	2,170
CP23-309	11/30/2019	08/11/2023	1,350
CP23-315	07/01/2021	08/24/2023	784
CP23-355	02/01/2023	09/28/2023	239
<b>Average days from violation to referral</b>			<b>1,327</b>

Note: Fields designated as "Outlier" are not counted in the average.

## Enforcement Actions and Compliance Testing<sup>72</sup>

Case No.	Excessive Informal Compliance Attempts*	ILCP Warranted	Closed – Full Compliance	SMA Coordination
CP21-032	N	N	Y	Y
CP21-081	N	N	Y	Y
CP21-119	Y	N	Y	Y
CP21-124	N	Y	Y	Y
CP21-174	Y	N	N/A	N/A
CP21-190	N	N	Y	Y
CP21-204	C	Y	Y	Y
CP22-016	N	N	Y	Y
CP22-100	C	Y	Y	Y
CP22-107	Y	N	Y	Y
CP22-116	Y	N	Y	Y
CP22-162	Y	N	N	Y
CP22-183	C	Y	N	Y
CP22-193	N	N	Y	N
CP22-213	N	N	Y	Y
CP23-041	N	N	Y	Y
CP23-042	N	N	Y	Y
CP23-049	C	Y	Y	Y
CP23-069	N	N	Y	Y
CP23-075	Y	N	N	Y
CP23-110	Y	N	N	Y
CP23-112	C	Y	Y	Y
CP23-145	N	N	N/A	N/A
CP23-185	Y	N	Y	Y
CP23-192	N	N	N/A	N/A
CP23-206	Y	N	Y	Y

<sup>72</sup> We tested the extent of ONRR's coordination and informal compliance attempts with companies when ILCPs were warranted. We considered ONRR to have used excessive attempts at informal enforcement when OE continued compliance efforts (1) after other ONRR directorates were unsuccessful with similar efforts and (2) in cases in which more severe or formal enforcement actions were warranted, such as penalty assessment. We also tested whether ONRR closed cases prior to ensuring other violations did not exist and whether it coordinated with SMAs when necessary.



Case No.	Excessive Informal Compliance Attempts*	ILCP Warranted	Closed – Full Compliance	SMA Coordination
CP23-208	N	Y	N	Y
CP23-232	N	N	N/A	N/A
CP23-241	C	Y	Y	Y
CP23-246	N	N	Y	Y
CP23-251	C	Y	N/A	N/A
CP23-253	C	Y	N/A	N/A
CP23-254	C	Y	Y	Y
CP23-256	N	Y	Y	Y
CP23-263	N	N	N/A	N/A
CP23-287	N	N	Y	Y
CP23-305	C	Y	N/A	N/A
CP23-309	Y	N	Y	Y
CP23-315	Y	N	Y	Y
CP23-355	Y	N	N	Y
<b>Total Exceptions</b>	<b>12</b>	<b>13</b>	<b>6</b>	<b>1</b>

\* Cases classified as “C” indicate that the cases were identified as having both excessive informal compliance attempts and an ILCP warranted.

Note: Fields designated as N/A were still open at the time of our testing.

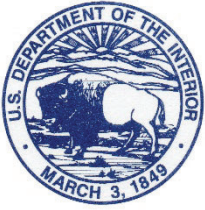
### Archived Referrals Sample<sup>73</sup>

Referral No.	SMA Coordination
RQ24-117	N
RQ23-180	Y
RQ23-012	N
RQ24-124	Y
RQ22-046	Y

<sup>73</sup> We tested whether ONRR coordinated with SMAs prior to archiving referrals that ONRR considered unenforceable.

## Appendix 5: Response to Draft Report

ONRR's response to our draft report follows on page 39.



# United States Department of the Interior

## OFFICE OF NATURAL RESOURCES REVENUE

P.O. Box 25165  
Denver, Colorado 80225-0165

Aug 27, 2025

### Memorandum

To: Nicki Miller  
Assistant Inspector General for Audits, Inspections, and Evaluations  
Office of Inspector General, U.S. Department of the Interior

From: April Lockler  
Acting Director

APRIL LOCKLER  
Digitally signed by APRIL LOCKLER  
Date: 2025.08.27 10:48:10 -06'00'

Subject: Response to the Office of Inspector General's Draft Audit Report – *The Office of Natural Resources Revenue Needs To Consistently Enforce Compliance and Timely Collection of Revenues (Report No. 2024-CR-008)*

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft audit report titled *The Office of Natural Resources Revenue Needs To Consistently Enforce Compliance and Timely Collection of Revenues* (draft report). The OIG concluded that:

- The Office of Natural Resources Revenue's (ONRR) program areas failed to make timely referrals of violations to ONRR Enforcement (OE);
- OE did not pursue enforcement actions even under circumstances that may have warranted such an approach; and
- OE did not consistently verify compliance prior to closing enforcement cases.

The OIG made thirteen (13) recommendations for ONRR to address.

ONRR met with OIG at the exit conference on June 10, 2025, to discuss these issues. We appreciate OIG's efforts to improve ONRR's policies and procedures regarding the identification, assessment, issuance, and collection of penalties related to mineral and energy leases. ONRR concurs with eight recommendations, partially concurs with four recommendations, and non-concurs with one recommendation.

We believe the draft report sets an unreasonable standard for defining when a referral is timely. In addition, the draft report fails to recognize ONRR's established compliance strategy and does not sufficiently acknowledge that informal compliance attempts and a standard compliance process are often the most effective approach. Also, the draft report fails to recognize the limitations of ONRR's resources. Given these constraints, it is often impractical and provides a diminishing return to the American people for OE to pursue violations that were not validated and referred by an ONRR subject matter expert. We have attached a summary of ONRR's planned actions for each of the 13 recommendations, including applicable responsible officials and target dates (Attachment 1).

ONRR is committed to continuous improvement and welcomes external reviews to improve our operations. We appreciate the insights provided in the draft report. However, we have identified several factual errors and potentially misleading statements. Addressing these issues would improve the report's accuracy and effectiveness. We have attached our technical comments to this memorandum, for OIG's consideration (Attachment 2).

If you have any questions about this response, please contact Stephen Rovira, ONRR's Audit Liaison Officer, at (303) 231-3491 or Catherine Vojslavek at (303) 231-3209.

Attachments

**ONRR Response to the Office of Inspector General's Draft Report, *The Office of Natural Resources Revenue Needs To Consistently Enforce Compliance and Timely Collection of Revenues* (Report No. 2024-CR-008)**

**Recommendation 1:** *Update its policies and procedures to establish conditions that warrant or require a referral to the Office of Enforcement, such as the maximum number of informal compliance attempts or maximum number of days since an effort to obtain compliance was initiated, to provide sufficient time to resolve the case before expiration of the statute of limitations.*

**Response: Concur.** ONRR will review and update these policies and procedures as needed, specifying when a verified violation of a natural resource revenue law, as determined by an ONRR subject matter expert, must be referred to OE.

**Responsible Official:** Acting Director of ONRR

**Target Date:** June 30, 2026

**Recommendation 2:** *Establish a process to evaluate previously identified cases of noncompliance that have not been referred to enforcement, at least annually, to determine whether open cases may require additional actions, such as an enforcement referral or escalation.*

**Response: Non-Concur.** ONRR does not concur with an OE annual review of open cases of noncompliance. ONRR's compliance cases will be aligned with ONRR's 2026 through 2028 compliance strategy, risk modules, and accompanying work plan, with cases assigned to preceding compliance activities throughout each year. All cases will follow the policies and procedures for enforcement referrals.

**Recommendation 3:** *Update its policies and procedures to prioritize referring cases related to unpaid royalties to the Office of Enforcement based on defined conditions, to include dollar thresholds or when companies are repeat offenders.*

**Response: Partially Concur.** ONRR will review and update the existing process for referring cases related to unpaid royalties to OE. ONRR does not concur with establishing defined conditions to include dollar thresholds. ONRR has multiple priorities that need to be addressed that may require enforcement actions for smaller dollar amounts. ONRR will evaluate its priorities and obligations, such as trust responsibility, and consider explaining in the policy and procedures how cases are prioritized.

**Responsible Official:** Acting Director of ONRR

**Target Date:** June 30, 2026

**Recommendation 4:** *Update policies and procedures to define conditions that may warrant the immediate issuance of Notices of Noncompliance without additional Office of Enforcement attempts to follow up and gain compliance (for example, when companies disregarded compliance and collection attempts from the referrers).*

**Response: Concur.** ONRR will review and update the policies and procedures to also consider forgoing informal compliance attempts if the alleged violator disregarded compliance attempts from the referrer.

**Responsible Official:** Acting Director of ONRR

**Target Date:** January 30, 2026

**Recommendation 5:** *Update policies and procedures to require prompt issuance of a Failure to Correct Civil Penalty when violations communicated in the Notice of Noncompliance are not cured by the due date.*

**Response: Concur.** ONRR will review and update the policies and procedures to require prompt issuance of a Failure to Correct Civil Penalty when violations communicated in the Notice of Noncompliance are not cured by the due date.

**Responsible Official:** Acting Director of ONRR

**Target Date:** January 30, 2026

**Recommendation 6:** *Establish procedures to identify unpaid royalties related to missing reporting cases and issue Immediate Liability Civil Penalties unless an exception is warranted and adequately documented.*

**Response: Partially Concur.** ONRR will review and update its procedures to specify what further action is needed and when to consider an Immediate Liability Civil Penalty (ILCP) for the knowing or willful failure to pay royalties in lieu of, or in addition to, the referred missing reporting case. ONRR will also review and update its procedures related to documenting exceptions to issuing penalties when otherwise warranted.

ONRR does not concur that royalty reporting cases that may uncover unpaid, underpaid, or late paid royalties generally warrant a collateral OE case to consider an ILCP. Similarly, ONRR does not concur that missing production report referrals to OE generally warrant a collateral OE case for missing royalty reports. Implementing OIG's recommendation would be inefficient and diminish the return to the American people. ONRR's position is that subject matter experts from the preceding compliance activities should initially identify and address the violations. If they remain unresolved, cases should be referred to OE through the standard processes.

**Responsible Official:** Acting Director of ONRR

**Target Date:** March 31, 2026

**Recommendation 7:** *Update procedures for instances when the Office of Enforcement decides to forego issuing a penalty when such penalty was warranted, including documenting the reasons for such determination.*

**Response: Concur.** ONRR will review and update the policies and procedures for documenting when a penalty is warranted and is not pursued.



ONRR does not concur that royalty reporting cases that may uncover unpaid, underpaid, or late paid royalties generally warrant a collateral OE case to consider an ILCP. Similarly, ONRR does not concur that missing production report referrals to OE generally warrant a collateral OE case for missing royalty reports. Pursuing OE cases in this fashion would be inefficient and would diminish the return to the American people. ONRR's position is that subject matter experts from the preceding compliance activities should initially identify and address the violations. If they remain unresolved, cases should be referred to OE through the standard processes.

**Responsible Official:** Acting Director of ONRR

**Target Date:** March 31, 2026

**Recommendation 8:** *Provide training on updated procedures to ensure all investigators consistently pursue issuing penalties when warranted or document any exceptions.*

**Response: Concur.** ONRR will provide training to all investigators on the updated procedures related to ONRR's responses and implementation of the recommendations in the draft report.

**Responsible Official:** Acting Director of ONRR

**Target Date:** May 29, 2026

**Recommendation 9:** *Evaluate and report on the compliance of the responsible parties associated with the 25 cases of insufficient enforcement actions to determine if the entities corrected the identified violations.*

**Response: Partially Concur.** ONRR will evaluate and report on the compliance status of the 12 cases marked as "Excessive Informal Compliance Attempts" and the 13 cases marked as "ILCP Warranted" identified on pages 33 and 34 of the draft report.

ONRR does not concur that there were 25 cases of insufficient enforcement actions or that these cases failed to establish that the referred violations were corrected. This recommendation appears to measure an "Excessive Informal Compliance Attempts" case based on the number of days from when reports are due until ONRR compliance activities occur. ONRR's statutory authority allows ONRR seven years from an obligation due date or 2,555 days to obtain compliance with an order to report and pay regarding federal leases, an unlimited number of days for production reporting or Indian lease orders, and six years from the date of a violation or 2,190 days to pursue civil penalties.

This recommendation also appears to consider an "ILCP Warranted" case when OE is referred a production or royalty reporting case. ONRR does not concur that royalty reporting cases that may uncover unpaid, underpaid, or late paid royalties generally warrant a collateral OE case to consider an ILCP. Similarly, ONRR does not concur that missing production report referrals to OE generally warrant a collateral OE case for missing royalty reports. Implementing OIG's recommendation would be inefficient and diminish the return to the American people. ONRR's position is that subject matter experts from the preceding compliance activities should initially

identify and address the violations. If they remain unresolved, cases should be referred to OE through the standard processes.

**Responsible Official:** Acting Director of ONRR

**Target Date:** April 30, 2026

**Recommendation 10:** *Update policies and procedures with clear instructions on the steps necessary to ensure that companies have achieved full compliance, including searching for collateral violations and coordination with other ONRR divisions for verification that there are no other related violations prior to closing the case.*

**Response: Partially Concur.** ONRR will review and update existing policies and procedures to provide clear instruction on the steps necessary to ensure that companies have achieved full compliance with the referred violation.

ONRR does not concur to the extent this recommendation seeks ONRR to identify all collateral royalty reporting and payment violations related to production reporting violations. ONRR divisions for verification have existing policies and procedures that identify related violations.

**Responsible Official:** Acting Director of ONRR

**Target Date:** March 31, 2026

**Recommendation 11:** *Update the Office of Enforcement's policies and procedures to ensure coordination with the surface management agency to verify well status or well shut-in requests prior to closure of unenforceable cases or archiving referrals.*

**Response: Concur.** ONRR will review and update existing policies and procedures to coordinate with surface management agencies as appropriate in OE cases that are closed or archived because they are unenforceable.

**Responsible Official:** Acting Director of ONRR

**Target Date:** February 27, 2026

**Recommendation 12:** *Update the enforcement peer review process to include verification that a search for collateral violations was performed and, for cases closed as unenforceable, that coordination with the surface management agency was performed.*

**Response: Concur.** ONRR will review and update existing peer review policies and procedures to verify that collateral violations were considered and to verify the appropriateness of closing cases as unenforceable.

**Responsible Official:** Acting Director of ONRR

**Target Date:** February 27, 2026

**Recommendation 13:** *Evaluate and report on the compliance of the responsible parties associated with the six closed reporting cases to ensure each company submitted all the required reports and payments or pursue appropriate enforcement actions.*

**Response: Concur.** ONRR will evaluate and report on the six “Closed – Full Compliance” cases identified on pages 33 and 34 of the draft report with information that the OE investigator was able to reasonably confirm compliance, or that the matter was referred for further review through standard processes.

**Responsible Official:** Acting Director of ONRR

**Target Date:** April 30, 2026



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

## **REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT**

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