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

Audit

The Orphaned Wells Program Office and State of Oklahoma Should Improve the Oversight and Spending of Infrastructure Investment and Jobs Act Orphaned Wells Funding

Report No. 2025-ER-006

September 2026

SEP 25 2026

Memorandum

To: Jennifer Goldblatt
Acting Director, Orphaned Wells Program Office

From: Nicki Miller Nicki Miller
Assistant Inspector General, Office of Audits, Inspections, and Evaluations

Subject: Final Audit Report – *The Orphaned Wells Program Office and State of Oklahoma Should Improve the Oversight and Spending of Infrastructure Investment and Jobs Act Orphaned Wells Funding*
Report No. 2025-ER-006

This memorandum transmits our audit report on whether Oklahoma expended Infrastructure Investment and Jobs Act orphaned well initial grant funds in accordance with applicable laws, Federal regulations, and grant terms.

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.

Audit

The Orphaned Wells Program Office and State of Oklahoma Should Improve the Oversight and Spending of Infrastructure Investment and Jobs Act Orphaned Wells Funding

Objective

To determine whether Oklahoma expended Infrastructure Investment and Jobs Act (IIJA) orphaned well initial grant funds in accordance with applicable laws, Federal regulations, and grant terms.

Recommendations

We make 12 recommendations that, if implemented, will help the U.S. Department of the Interior's (DOI's) Orphaned Wells Program Office improve its oversight and Oklahoma's IIJA orphaned well grant performance. Four recommendations are implemented, and eight recommendations are resolved. We identified three recommendations as significant.

Monetary Impact

$24,152,000 Questioned Costs

Risk Areas

- Contract & Financial Assistance Oversight
- Health & Safety
- Environmental Impact

Findings

Orphaned wells can pollute residential and recreational areas and public spaces through methane emissions and groundwater contamination. Congress sought to address these risks through the IIJA by providing DOI $4.7 billion for fiscal years 2022 through 2030 to administer orphaned well site plugging, remediation, and restoration activities on Federal, State, Tribal, and private lands. DOI awarded Oklahoma an initial IIJA grant of $25 million for its orphaned wells program. DOI's Orphaned Wells Program Office is responsible for administering and overseeing funding for the Federal, State, and Tribal programs. It must ensure the program addresses the risks from orphaned wells through actions such as issuing guidance and oversight of grantees.

The Oklahoma Corporation Commission (OCC) is responsible for ensuring that orphaned wells are plugged in Oklahoma. OCC plugged 1,123 (about 94 percent) out of an estimated 1,196 orphaned wells with IIJA initial grant funding as of March 2026. However, we found that OCC did not have a competitive bidding policy for well-plugging contracts as required by Federal regulations, resulting in questioned costs of $23,865,670. We also found that OCC did not obligate funds within the statutorily required 12-month period, resulting in $13,746,489 of additional questioned costs. In addition, we found that OCC did not accurately report program income generated during the grant. Finally, we found that OCC did not properly make required determinations regarding the nature of its relationship with contractors and subrecipients. While we questioned a total of $37,612,159 based on individual findings, some of these costs were questioned for multiple reasons. Specifically, we questioned $13,460,159 for two reasons: (1) the lack of policies and procedures for competitive bidding and (2) costs were not obligated by the required IIJA deadline. We only include this amount once in our total monetary impact of $24,152,000.

Impact

Recipients must comply with the IIJA and the terms of their grants, including provisions about procurement processes, funding timelines, and program income. Without a written competitive bidding policy, Oklahoma and DOI may have overpaid for well-plugging services while also increasing the risk of fraud, corruption, collusion, and favoritism. The IIJA imposed specific obligation deadlines to ensure States used the funding provided to plug wells quickly. If a State misses the required deadline to obligate funds within a 12-month period, it must reimburse DOI in a timely manner so that DOI can redistribute the funds to other States. By not meeting this deadline, OCC will not timely address the problems associated with orphaned wells in Oklahoma and it may prevent other States from receiving the funds. Further, inaccurately reporting program income prevents DOI from knowing all pertinent information about the grant and does not provide DOI assurance that the income was used to plug more wells or for other grant activities as required. Finally, documenting the relationship (subrecipient versus contractor) with entities receiving Federal grant funds is important because it determines the allocation of responsibilities. Grantee oversight and responsibilities of subrecipients and contractors vary greatly and it is necessary for each entity to be held to the correct requirements for monitoring, oversight, compliance with award terms, audit requirements, and reporting obligations. With significant orphaned well funding awarded by States, failing to make and document the determination whether an entity is a subrecipient versus a contractor increases the risk of noncompliance with Federal requirements by entities awarded IIJA funds.

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Contents

Introduction

Objective

The objective of our audit was to determine whether Oklahoma expended Infrastructure Investment and Jobs Act (IIJA)[1] orphaned well initial grant funds in accordance with applicable laws, Federal regulations, and grant terms.

See Appendix 1 for our audit scope and methodology, and Appendix 2 for our list of abbreviations.

Background

Orphaned wells no longer produce oil or gas and have no known owner or operator capable of plugging the well and reclaiming the well site. Over the course of more than 150 years, companies drilled an estimated 800,000 to 1 million wells across the United States before regulations were established requiring oil and gas operators to plug and reclaim the wells at the end of their useful life.[2] Orphaned wells can pollute residential and recreational areas and public spaces, posing public health and safety and environmental risks. According to the U.S. Department of the Interior (DOI), millions of Americans live within a mile of an orphaned oil or gas well. As such, orphaned wells have been a concern for residents, environmental groups, landowners, and State and Federal agencies. These stakeholders are directly affected by the outcome of the efforts to address orphaned wells, particularly through plugging.

The IIJA permits States to use their own established definitions and terminology to define an orphaned well eligible for plugging, remediation, and reclamation.[3] In Oklahoma, a well is considered "abandoned" when "listed in a report published by the Corporation Commission identifying oil or gas wells which have been determined to be abandoned or orphaned by the Corporation Commission as a result of bankruptcy, inability to find the owner, or for other reasons." We use the term "orphaned well" in this report to align with the IIJA, but it means the same as an "abandoned well" in Oklahoma. Figure 1 shows examples of orphaned well sites near Oklahoma City, Oklahoma.

[1] 42 U.S.C. § 15907.

[2] The Federal Role in Orphan Oil and Gas Well Reclamation, June 15, 2022, https://www.congress.gov/crs-product/IF12134.

[3] 42 U.S.C. § 15907(b).

Figure 1: Oklahoma Orphaned Well-Plugging Sites

Source: Office of Inspector General. City of Norman in Cleveland County (left) and Union City in Canadian County (right).

The number of orphaned wells in the United States is not fully known. Because of the lack of information collected prior to regulation, Federal and State agencies have faced challenges in estimating the numbers, locations, and conditions of orphaned wells within their jurisdictions.

Moreover, the number of orphaned oil and gas wells in the United States is not static, and the status of wells may change for a variety of reasons, including:

- A liable operator is identified and held financially responsible for plugging the well.
- Orphaned wells may change from being undocumented to documented.
- A company bankruptcy might lead to orphaned wells.

When an oil or gas well is orphaned, the cleanup and associated costs fall on the Federal or State governments. The cost of plugging a well can be affected by factors such as depth, condition, location, and accessibility.

Consequently, not knowing the number of documented and undocumented wells creates challenges in well-plugging efforts. The Interstate Oil and Gas Compact Commission defines a documented well as one for which the State or regulatory agency has a drilling report, completion report, inspection report, or other record establishing the well's existence such as its precise location. An undocumented well is unknown to a State or agency or one for which a State or agency has some evidence but requires further verification.

Infrastructure Investment and Jobs Act

The IIJA,[4] signed into law on November 15, 2021, increased funding for the Federal orphaned wells program and created a grant program to assist States and Tribes in establishing, growing, and managing their own orphaned well-plugging, remediation, and restoration programs. The IIJA provides $4.7 billion in supplemental appropriations for the Federal program and grants to State and Tribal programs to complete plugging,

[4] 42 U.S.C § 15907.

remediation, and reclamation within their jurisdictions.[5] More specifically, IIJA § 40601 provided the following allocations:

- $250 million for DOI to conduct orphaned oil and gas well reclamation on Federal lands.
- $775 million in initial grants to States to support administrative actions necessary to assess and update the inventory of their orphaned well sites, prepare applications to obtain formula and performance grants, and conduct other activities as stipulated such as plugging orphaned wells.
- $2 billion in formula grants to States to address challenges created by orphaned wells.
- $1.5 billion in performance grants to States.
- $150 million in grants to Tribal entities.

States may use IIJA grant funding for activities related to orphaned well plugging, remediation, and restoration (described in Appendix 3).

Initial Grants

States can request up to $25 million for an initial grant.[6] These grants bolster States' existing well-plugging programs and, for States without an existing program, help establish new programs to conduct well-plugging activities. DOI's April 11, 2022 *State Initial Grant Guidance*[7] outlines that States may use initial grants to:

- Plug, remediate, and reclaim orphaned wells located on State-owned or privately-owned land.
- Identify and characterize undocumented orphaned wells on State and private land.
- Rank orphaned wells based on factors including public health and safety, potential environmental harm, and other land-use priorities.
- Make information regarding the use of IIJA funds received available on a public website.
- Measure and track emissions of methane and other gases associated with orphaned wells.
- Measure and track contamination of groundwater or surface water associated with orphaned wells.
- Remediate soil and restore native species habitats that have been degraded because of orphaned wells and associated pipelines, facilities, and infrastructure.
- Remediate land adjacent to orphaned wells and decommission or remove associated pipelines, facilities, and infrastructure.
- Identify and address any disproportionate burden of adverse human health or environmental effects of orphaned wells on communities of color, low-income communities, and Tribal and Indigenous communities.
- Administer the program of work identified in their grant agreements.

[5] 42 U.S.C. § 15907(h).

[6] 42 U.S.C. § 15907(c)(3)(A).

[7] OWPO has archived this guidance on its DOI webpage: https://www.doi.gov/sites/default/files/state-initial-grant-guidance-4-11-22.pdf.

In fiscal year 2022, DOI distributed $560 million through 24 initial grants to State orphaned wells programs. Before the Orphaned Wells Program Office (OWPO) was established[8] on January 10, 2023, the Office of Environmental Policy and Compliance awarded Oklahoma an initial grant of $25 million on August 24, 2022.

Formula Grants

Congress appropriated $2 billion for formula grants to States to bolster their well-plugging programs and provide significant financial resources over several years to plug, remediate, and reclaim thousands of orphaned wells on State and private lands. Like the initial grants, States may apply for formula grants,[9] which DOI distributes based on an eligibility formula. To be eligible, a State must submit an application[10] and documentation describing the State's current authorities and activities regarding its orphaned wells program, activities to be conducted using the formula grant, and how reclamation activity information is made public. DOI considers the following factors when calculating the formula grant amounts States are eligible to receive:

- The estimated number of documented orphaned wells that will be plugged, remediated, or reclaimed.
- The projected costs to plug or reclaim the wells, reclaim adjacent land, and decommission or remove associated infrastructure.
- The dollar amount that will be offset by forfeiting financial assurance instruments, the estimated salvage of well-site equipment, or other proceeds from the orphaned wells and adjacent land.
- The number of jobs that will be created or saved in the oil and gas industry.
- The amount of funds to be spent on administrative costs.

In July 2025, OWPO issued the revised *State Formula Grant Guidance,*[11] which OWPO stated eliminates non-statutory requirements and reduces the application and post-award burdens on States by eliminating pre- and post-plugging methane measurement and requirements related to the Endangered Species Act and the National Historic Preservation Act. The guidance encourages States "to provide information related to how plugging orphaned oil and gas wells supports current and future oil and gas production and State activities that support the Administration's efforts to unleash American energy and address our National Energy Emergency, if applicable."

OWPO is awarding formula grants in six phases[12] during fiscal years 2023 through 2028. On September 21, 2025, Oklahoma was awarded a $102,613,486 formula grant to plug an estimated 1,048 orphaned wells and accomplish other performance goals such as remediate soil and restore native species habitat that have been degraded because of orphaned wells and associated pipelines, facilities, and infrastructure.

Performance and Regulatory Improvement Grants

The IIJA provides $1.5 billion for performance grants, which consist of regulatory improvement grants and matching grants. A State would qualify for a regulatory improvement grant by demonstrating within 10 years after its initial grant application that it has strengthened State well-plugging and reclamation standards and financial assurance mechanisms. OWPO has not published any guidance for regulatory improvement grants,

[8] Secretary's Order No. 3409, *Establishment of the Orphaned Wells Program Office*.

[9] 42 U.S.C. § 15907(c)(4)(ii) outlines that States must submit a notice of intent to submit an application under subparagraph (B) not later than 45 days after November 15, 2021.

[10] 42 U.S.C. § 15907(c)(4)(B).

[11] DOI, *Orphaned Wells Program Office Revised State Formula Grant Guidance*, https://www.doi.gov/sites/default/files/documents/2025-07/revised-state-formula-grant-guidance508.pdf.

[12] OWPO, Formula Grant Frequently Asked Questions and Answers, July 2023, https://www.doi.gov/sites/doi.gov/files/faqs-formula-grants-07.07.2023.pdf.

which have not been awarded as of the date of this report. Matching grants may be provided based on the difference States spend on plugging wells from 2010 through 2019 and the amount the State expects to spend during the fiscal year it receives the grant. Matching grants are limited to $30 million per State from Federal Government fiscal years 2022 to 2030.

DOI Orphaned Wells Program Office

On January 10, 2023, the Secretary of the Interior established OWPO,[13] which is responsible for carrying out the Secretary's responsibilities under IIJA § 40601, such as:

- Establishing a program to plug, remediate, and reclaim orphaned wells on Federal land.
- Providing initial grants, formula grants, and performance grants to States to conduct plugging, remediating, and reclaiming activities related to orphaned wells.
- Establishing a program under which the Secretary will (1) provide Tribes grants to conduct plugging, remediation, and reclamation activities on orphaned wells or (2) administer and conduct plugging, remediation, and reclamation activities related to orphaned wells on behalf of the Tribe on a Tribe's request and in lieu of a grant.

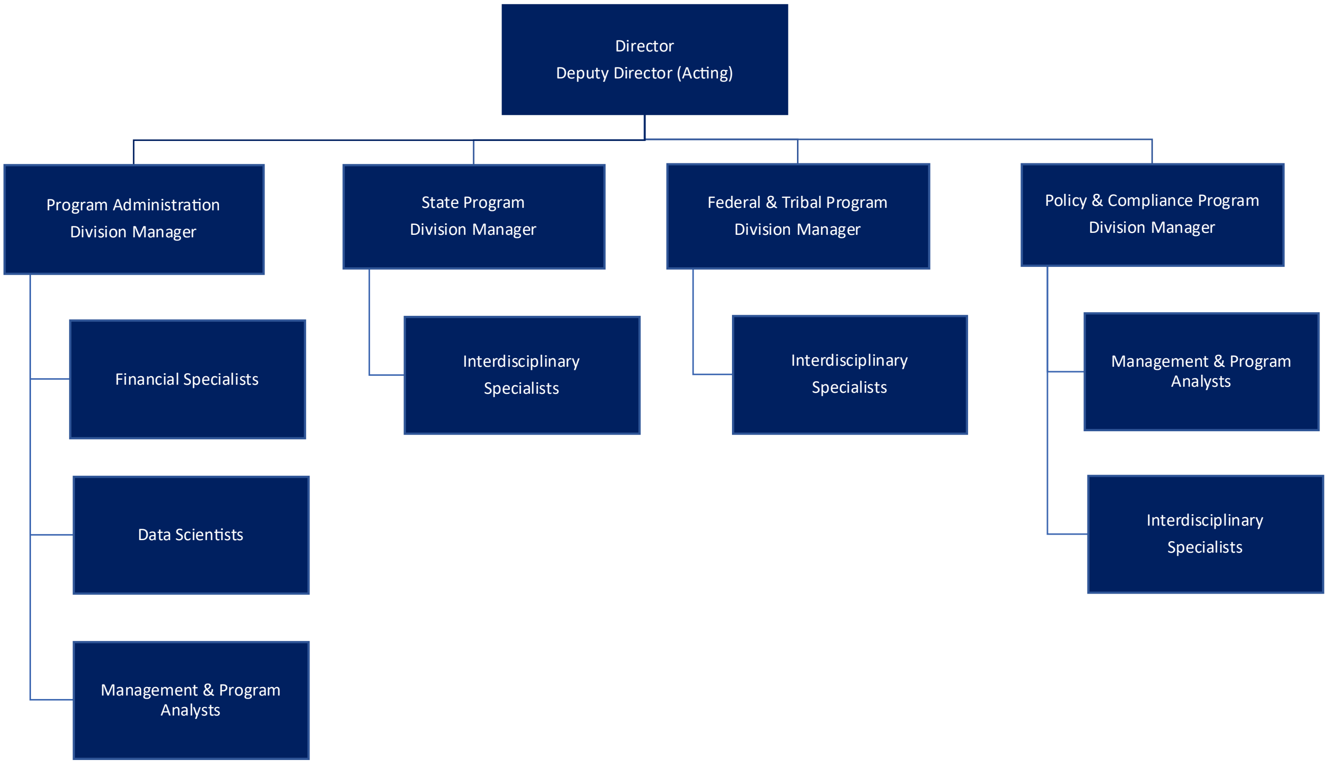
The IIJA requires[14] the Secretary of the Interior, through OWPO, to provide the following information in an annual report to Congress: (1) an updated inventory of orphaned wells or wells at risk of being orphaned on Federal, Tribal, State, and private lands; (2) the estimated amount of methane and other gases emitted from orphaned wells and emissions reduced as a result of plugging, remediating, and reclaiming orphaned wells; (3) the number of jobs created and saved through plugging, remediating, and reclaiming orphaned wells; and (4) the acreage of habitat restored using grants awarded to plug, remediate, and reclaim orphaned wells and to remediate or reclaim adjacent land and a description of how the land can be used in the future.

OWPO is in DOI's Policy and Environmental Division under the Office of Policy, Management, and Budget. OWPO management and staff are responsible for overseeing Federal, State, and Tribal programs, including reviewing grant applications, awarding grants, and reviewing reports submitted by the grant recipients. As discussed above, the Tribal program has an "in lieu of grant" funding option, which allows a Tribe to request that DOI administer and carry out plugging, remediation, and reclamation activities on the Tribe's behalf, consistent with the DOI's trust responsibilities. OWPO's organizational structure is shown in Figure 2.

[13] Secretary's Order No. 3409, *Establishment of the Orphaned Wells Program Office*.

[14] 42 U.S.C. § 15907(f).

Figure 2: OWPO Organizational Structure



Source: OWPO.

Note: The information in the figure is current as of September 2, 2026.

OWPO and Interior Business Center

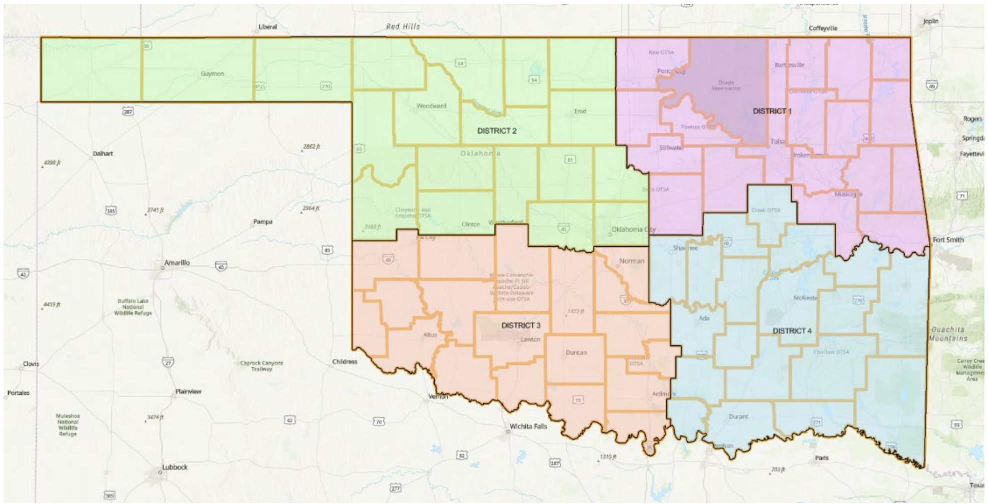
In October 2023, OWPO entered into an interagency agreement with DOI's Interior Business Center (IBC) to award, administer, and close out grants to States. This interagency agreement details that OWPO's financial assistance officer representative and grant management specialists will focus on monitoring the technical/programmatic activities while IBC financial assistance officers will focus on financial monitoring. Specifically, the IBC financial assistance officers are responsible for pre-award and post-award financial assistance administration, and IBC coordinates these efforts with OWPO. During the pre-award phase, IBC will conduct initial compliance reviews, risk assessments, and financial capabilities analysis; issue the notice of award; assist in developing monitoring plans; and maintain the official grant file. Further, in the post-award phase, IBC will review quarterly financial reports containing cost information submitted by States.

Oklahoma Corporation Commission

The Oklahoma Corporation Commission (OCC) is a state regulatory agency whose mission is, in part, to ensure responsible development of oil and gas resources and prevent and remediate energy-related pollution. OCC also determines which wells are classified as orphaned. OCC places orphaned wells planned to be plugged on the State Funds List, also known as the Plugging List. It has historically used the State Plugging Fund, traditionally composed of a percentage of the excise tax paid by oil and gas operators and augmented by funds from other sources such as IIJA grants, to plug and remediate these wells.

OCC Oil and Gas Conservation Division's main office is in Oklahoma City and its District 1 office is in Tulsa, District 2 office is in Kingfisher, District 3 office is in Duncan, and District 4 office is in Ada (see Figure 3).

Figure 3: OCC District Map



Source: OCC.

Priority Levels

Each well to be plugged is categorized based on its potential threat to human health, safety, and property:

- Category 1: Life threatening.
- Category 2: Emergency (e.g., environmental pollution, purging, etc.).
- Category 3: Potential danger to personal property.
- Category 4: Not life threatening (e.g., not an immediate danger to the environment or personal property).
- Category 5: No immediate danger (e.g., condition has existed for many years and poses no immediate danger).

As of November 2025, Oklahoma reported that it had over 19,000 orphaned wells, many of which have not been categorized.[15]

OCC IIJA Funding

On August 24, 2022, OCC received a $25 million initial grant to perform IIJA orphaned well-plugging and remediation activities with a period of performance from October 1, 2022, through September 30, 2023, subsequently extended to September 30, 2026. OCC estimated that it would plug, test for methane, and reclaim the sites for 1,196 orphaned wells with these funds. However, the grant was amended on March 23, 2023, to remove the requirements for Oklahoma to test methane and reclaim the sites. As of January 2025, OCC had expended $24,576,881 in initial grant funds to plug 1,111 wells, which includes $23,865,670 for well-plugging contracts, $696,175 for OCC payroll, and $15,036 for administrative assistance. Further, OCC generated $703,936 in program income from selling salvaged pipe.

On September 21, 2025, OCC was awarded a $102,613,486 formula grant to plug an estimated 1,048 orphaned wells and accomplish IIJA performance activities such as measure and track methane.

[15] Oklahoma Corporation Commission, Oil and Gas Division, GIS Data and Maps, Orphaned Well-Plugging Dashboard, November 25, 2025, https://gis.occ.ok.gov/portal/apps/experiencebuilder/experience/?id=419e1e0be19245a7931f5aeb8580b1fd.

Results of Audit

We identified significant weaknesses with OCC's compliance with Federal regulations and grant terms. Specifically, OCC:

- Did not have procurement policies and procedures for obtaining competitive bids in the contracting process.
- Did not comply with the IIJA and grant terms when obligating funds.
- Did not report program income earned from selling salvaged pipe.
- Did not determine whether its awards were either subawards or contracts.

OCC Lacked Procurement Policies and Procedures for Competitive Bidding in the Contracting Process—Questioned Costs $23,865,670

According to Federal regulations,[16] when conducting procurements under a Federal award, States must follow the same policies and procedures they use for procurements with non-Federal funds. If such policies and procedures do not exist, States must follow the procurement standards in 2 C.F.R. § 200.318 through § 200.324. Notably, 2 C.F.R. § 200.319(a) states that all procurements under the Federal award must be conducted in a manner that provides full and open competition.

We determined that OCC did not have written policies and procedures applicable to its well-plugging procurements; therefore, according to 2 C.F.R. § 317, it must follow the applicable Federal procurement requirements, including the full and open competition requirements in 2 C.F.R. § 200.319(a) and cost and price analysis under § 200.324. We found that it did not comply with the requirements under either provision. The Office of Management and Enterprise Services (OMES) and OCC collaborated to award contracts to plug wells—OMES was ultimately responsible for the State's procurement functions. OMES told us that it used a two-phased Statewide contracting process for these procurements and expressed the belief that the process created competition. However, neither cost nor price from contractor bids were evaluated in either phase even though 2 C.F.R. § 200.324 requires a cost or price analysis for every procurement transaction, including contract modifications, above the simplified acquisition threshold.

In the first phase, contractors were pre-approved as State pluggers based on an evaluation of their responses to OMES' solicitation, which also required contractors to register with OMES as a vendor and have a license with OCC for pulling pipe and plugging wells.[17] Each plugger was then awarded a master contract with general terms and conditions without pricing, the number of wells to be plugged, or any site-specific data.

In the second phase, OCC presented an offer to one contractor from the first phase to plug a certain number of wells. The price in that offer was provided by OCC, not solicited from the contractor. There was no solicitation of bids from other contractors. OCC then awarded that same contractor a contract with the terms and

[16] 2 C.F.R. § 200.317, "Procurements by States and Indian Tribes."

[17] Contractors also had to agree to adhere to all OCC regulations for well-plugging procedures, have proper equipment to plug wells, and provide general company information and contact information. Finally, they had to state whether they were engaged in a boycott of goods or services from Israel, if they were registered with the Oklahoma Secretary of State, if they had workers compensation insurance coverage, and if they were a disabled veteran owned business.

conditions of the offer and the master contract. Without the required written policies and procedures,[18] including objective factors that evaluate cost and price to maximize open competition,[19] we determined that OCC's process did not demonstrate that well-plugging contracts under the initial grant met the federal requirements for competitive bidding.

OCC told us that our finding made clear that its procurement process was not sufficient in fully demonstrating compliance with Federal procurement standards. OCC said that it will transition to a more direct and conventional procurement process under which contractors will submit bids for individual wells or a group of orphaned wells in close proximity and contracts will be awarded to the lowest-cost and best vendor. The solicitation process was being drafted at the time of this audit,[20] but OCC noted that no more wells will be plugged with Federal funds until the competitive bid process is compliant.

Additionally, concerns with Oklahoma's procurement process—specifically a lack of competitive bidding—were identified in its 2022 and 2023 single audits. Notwithstanding these concerns, IBC continued to rely on the pre-award risk assessment without change. It did not, for example, include terms and conditions to the grant that might have helped mitigate this risk.[25]

Related Audit Results: The Oklahoma State Auditor & Inspector discussed the lack of required written policies and procedures around competitive bidding in Statewide contracts in its 2022[21] and 2023[22] Oklahoma single audit reports. The auditor found that a separate Statewide contracting pilot program, which no longer required it to competitively bid its services, did not have adequate controls in place, including written policies and procedures, to ensure Federal grants are properly executed. In a press release[23] related to the 2022 single audit, the State auditor said that the "millions in questioned costs during State fiscal year (SFY) 2022 are related to OMES's disregard for competitive bidding requirements and the systemic lack of oversight and accountability" and that "Oklahoma taxpayers could be forced to return millions of dollars to the Federal government." OMES did not agree with the finding and recommendations, stating that written guidance was issued and that the solicitations conducted pursuant to the requirements of the Statewide contract pilot programs met competitive bidding requirements. In agenda notes for a May 2024 public meeting[24] that discussed the 2022 single audit and any additional purchasing under the pilot or State law, OCC stated that it will continue to use competitively bid procurement practices for both Federal grant programs, such as well-plugging, and State-funded projects. However, we found no evidence that the well-plugging contracts under the IIJA grant program were competitively bid using written policies and procedures. On July 1, 2024, the pilot program closed, and we confirmed that the recommendations remain open as of December 10, 2025.

Without competitive procurements, DOI and Oklahoma cannot ensure that they awarded contracts to the lowest and best, or best value, bidder.[26] Although no overpayment was found in this instance, the lack of competitive procurements increases the chance that they may have overpaid for the work. If Oklahoma had implemented competitive bidding, it might have been able to plug more wells using IIJA funds. In addition, the

[18] 2 C.F.R. § 200.319(d), "Competition."

[19] 2 C.F.R. § 200.319(e), "Competition."

[20] OCC expected to finalize the new process by December 31, 2025; however, upon request, it could not provide us with an updated target date.

[21] Oklahoma State Auditor & Inspector, *State of Oklahoma, Single Audit Report, For the fiscal year ended June 30, 2022*, April 23, 2024, https://www.sai.ok.gov/Search%20Reports/database/2022OKStateSingleAudit.pdf.

[22] Oklahoma State Auditor & Inspector, *State of Oklahoma, Single Audit Report, For the fiscal year ended June 30, 2023*, August 27, 2025, https://www.sai.ok.gov/Search%20Reports/database/Single%20Audit%20FY23%20web%20final.pdf.

[23] Press Release, Oklahoma State Auditor & Inspector, *Federal Single Audit Uncovers OMES Lack of Oversight*, April 23, 2024, https://www.sai.ok.gov/docs/press/Byrd%20-%20State%20of%20Oklahoma%20Single%20Audit%20Release.pdf.

[24] OCC, *Director of Administration and OCC Response to Commissioner Posted Questions*, May 9, 2024, https://oklahoma.gov/content/dam/ok/en/occ/documents/ajls/about/OCC-Purchasing-Process-Response-to-Commissioner-Questions.pdf.

[25] 2 C.F.R. § 200.206(c), "Adjustments to the Risk Assessment."

[26] Oklahoma Statutes, Title 74. "State Government," § 74-85.7B. "Acquisition initiation – Submission of requisition."

lack of defined and documented policies and procedures and the resulting lack of competition may significantly increase the risk of fraud, corruption, collusion, and favoritism.

As a result of the noncompliance with Federal regulations, we question $23,865,670 of contracted well-plugging costs charged to Oklahoma's IIJA initial grant because of the lack of a competitive bidding policy. This is the total amount of costs incurred for contracts awarded under the initial grant in the scope of our audit. See Appendix 4 for the total monetary impact.

Recommendations

We recommend that the OWPO:

1. Resolve the questioned costs of $23,865,670 for the lack of a documented procurement competitive bidding policy for well-plugging contracts.

2. Require the Oklahoma Corporation Commission to develop, implement, and communicate to staff new policies and procedures for procurements under Federal grants that satisfy the requirements of Federal regulations and State law.

3. Require the Interior Business Center to modify its risk assessment of the Oklahoma Corporation Commission in accordance with 2 C.F.R. § 200.206(b) and (c) and make any changes to the terms and conditions of the Oklahoma Corporation Commission's formula grant that are necessary to mitigate the increased risks presented by the Oklahoma Corporation Commission's noncompliance with Federal regulations and lack of competitive bidding.

OCC Did Not Comply with Grant Terms for Obligating Funds—Questioned Costs $13,746,489

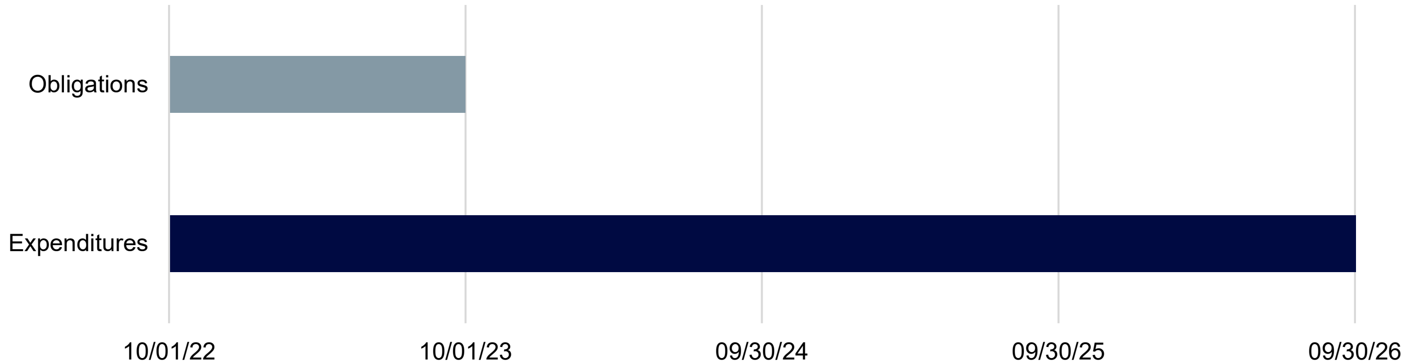
The IIJA[27] requires States that received initial grants to reimburse DOI the amount of grant funds that remain unobligated one year after they received funds. In addition, OCC's initial grant terms and OWPO's *State Initial Grant Guidance*[28] state that "all funds must be obligated within a year of the date of receiving the funds otherwise unobligated funds shall be reimbursed to the Secretary" and in other guidance,[29] OWPO clarifies that expenditures, rather than obligations, beyond 12 months would be allowable (see Figure 4).

[27] 42 U.S.C. § 15907(c)(3)(C).

[28] DOI, *FY 2022 State Initial Grant Guidance*, April 12, 2022, issued under Pub. L. 117-58, the Infrastructure Investment and Jobs Act, Sec. 40601, Orphaned Well Program, https://www.doi.gov/sites/default/files/state-initial-grant-guidance-4-11-22.pdf.

[29] DOI Orphaned Well Program, *Compiled Questions & Answers, Initial State Grant Training Sessions held April 22 and 27, 2022*, https://www.doi.gov/sites/default/files/questions-and-answers-april-2022.pdf.

Figure 4: Required Obligation and Expenditure Periods for Initial Grants



Source: OIG

OWPO's *State Initial Grant Guidance* defines unobligated amounts as "any funding that is not subject to a definite commitment that creates a legal liability of the State for an immediate or future payment for goods or services ordered or received, including by contract or sub-contract award." In other words, an obligation[30] is the point where the State is officially responsible to pay for goods or services.

Per Oklahoma statute, obligation of funds requires that whenever State agencies enter into contracts for, or on behalf of the State, to purchase tangible or intangible property, or for services or labor, such agreement shall be evidenced by written contracts or purchase orders. Therefore, when Oklahoma awards a contract or issues a fiscal year purchase order (e.g., for payroll) with specific payment amounts, it has obligated those funds.

The length of an obligation in Oklahoma varies. For example, contractual obligations stay open until they are fully paid, while purchase orders for payroll stay open until the end of the specified SFY. As discussed below, the differing lengths of these obligations impact whether specific obligations met statutory deadlines, as no new obligations entered into after September 30, 2023, were allowable, though expenditures on older obligations were allowed past that date.

We found that OCC requested reimbursement for expenses obligated outside the applicable 12-month period ending September 30, 2023. Funding not obligated within that time should have been returned to DOI. OCC did not obligate all funds within the required statutory timeframe since some of its contracts were not awarded by September 30, 2023, and payroll obligations did not carry forward into the next fiscal year. Specifically, the unallowable costs consisted of unobligated amounts related to well-plugging contracts, payroll costs for OCC personnel, and a contract awarded to help administer OCC grants (Figure 5). Because OCC did not obligate these funds by the deadline, we question $13,746,489 used for IIJA-funded orphaned well activities as unallowable.[31]

[30] To obligate funds, Oklahoma uses "encumbrances." Oklahoma's accounting manual explains that an encumbrance refers to setting aside budget dollars for a specific purpose, which is comparable to the Federal definition of obligations in 2 C.F.R. § 200.1. Oklahoma's encumbrance process also aligns with how Federal obligations are paid and liquidated. We use the Federal term "obligation" throughout this report to conform with the language used in the IIJA. See Appendix 5 for a glossary of terms.

[31] According to 2 C.F.R. § 200.403(b), a factor affecting the allowability of a cost is that costs must "conform to any limitations or exclusions set forth in the Federal award as to types or amount of cost items." In addition, 2 C.F.R. § 200.408, "Limitation on allowance of costs," states that "statutory requirements may limit the allowability of costs. Any costs that exceed the maximum amount allowed by statute may not be charged to the Federal award. Only the amount allowable by statute may be charged to the Federal award."

Figure 5: Unallowable Costs Not Obligated Within IIJA and Grant Deadline

Cost Items	Total
Well-Plugging Contracts	$13,460,159
OCC Payroll	$271,294
Administrative Assistance	$15,036
Total	**$13,746,489**

Source: OIG.

Well-Plugging Contracts

OCC awarded well-plugging contracts to 17 contractors. OCC's signed contract award represented a definite commitment for payment, meeting the definition of an obligation. We determined that OCC awarded 272 contracts to plug a specific number of wells in the grant period of performance, some of which met the deadline for the obligation of grant funds. However, 142 contracts, totaling $13,460,159, were not awarded before the October 1, 2023 deadline. According to OCC data, these contracts were awarded from October 2023 through November 2024. Because OCC did not obligate $13,460,159 in initial grant funds within the allowable timeframe, those funds should have been returned to DOI. We question as unallowable the full amount ($13,460,159) of the well-plugging contracts that did not meet the obligation deadline. This amount of costs incurred for well-plugging was also questioned under our earlier finding that OCC lacked a documented competitive bidding procurement policy.

OCC Payroll Expenses

For Oklahoma SFYs 2023 and 2024, Oklahoma's accounting department obligated $677,448 for OCC labor expenses using purchase orders. In accordance with Oklahoma statute, approved purchase orders require payment and, therefore, represent obligations. Oklahoma obligated $100,000 on April 25, 2023, which was in SFY 2023, and $577,448 on July 3, 2023, which was in SFY 2024. The September 30, 2023 deadline occurred during SFY 2024, which ended on June 30, 2024. Since these payroll obligations covered only one SFY, requiring Oklahoma to establish new payroll obligations at the start of each fiscal year, any labor expenses incurred after SFY 2024 were thus obligated after September 30, 2023, and were not timely. We found that OCC incurred $271,294 in payroll expenses after June 30, 2024. Therefore, we question $271,294 for payroll expenses as unallowable.

Administrative Contract

OCC awarded a $15,036 contract for administrative assistance help with its IIJA orphaned well grant funds. This obligation occurred on February 28, 2024, after the September 30, 2023 deadline. We question the full amount of this contract as unallowable.

This noncompliance occurred because OCC incorrectly believed that it complied with the grant terms by receiving an extension of the obligation period from IBC. OCC provided us with a copy of the grant amendment that extended the project and budget period through September 30, 2026. However, when we followed up with IBC, it told us that the amendment did not include any changes to the terms of the grant, including the deadline for obligating funds. Rather, the grant amendment only extended the grant's period of performance, giving OCC more time to complete all grant activities and expend grant funds before closing the grant. The extension had no effect on the period to obligate funds since the specific statutory IIJA obligation timeframe requirement did not change.

Additionally, OCC did not have a mechanism to monitor obligations each fiscal year to ensure it complied with the IIJA and award terms. The *Oklahoma Statewide Accounting Manual* does not provide details on controls related to documenting and tracking specific grant award terms and conditions. For example, it does not track and monitor the timing of obligations to ensure it complied with the IIJA and award terms and conditions. Finally, OWPO did not track, monitor, or enforce this requirement when reviewing requests for reimbursement.

Without robust controls, OCC cannot ensure it will comply with all terms and conditions of its Federal awards, as required.[32] The absence of controls to track obligations can also lead to inconsistent processes and insufficient oversight, as well as require the State to return noncompliant orphaned well funding to the Federal government. With Oklahoma receiving more than $102 million in formula grant funds to plug orphaned wells, better controls can help OCC more effectively reduce the environmental hazards from orphaned wells by avoiding the need to reimburse DOI for unobligated funds due to missing additional deadlines. While the initial grant required that funds be obligated within one year, Oklahoma's formula grant requires funds be obligated within five years. Despite having more time to obligate funds for the formula grant, OCC continues to risk noncompliance if it does not implement more robust controls.

Recommendations

We recommend that the OWPO:

4. Resolve the questioned costs of $13,460,159 for which the Oklahoma Corporation Commission did not properly obligate well-plugging contract costs in the timeframe required by the statute and relevant guidance.
5. Resolve the questioned costs of $271,294 for which the Oklahoma Corporation Commission did not properly obligate Oklahoma Corporation Commission's payroll costs in the timeframe required by the statute and relevant guidance.
6. Resolve the questioned costs of $15,036 for which the Oklahoma Corporation Commission did not properly obligate administrative assistance costs in the timeframe required by the statute and relevant guidance.
7. Require the Oklahoma Corporation Commission to develop and implement policy to track and monitor requirements of Federal grant awards so only allowable costs are charged to Federal grants.
8. Implement a mechanism to track and monitor State grantees' obligation of funds in accordance with the Infrastructure Investment and Jobs Act and applicable grant terms.

OCC Did Not Report Program Income on Federal Financial Reports as Required

Federal regulations define program income as gross income earned by a recipient or subrecipient during the period of performance as a result of a Federal award.[33] Federal regulations[34] encourage grant recipients to earn income to defray program costs and require that the program income be used to achieve the purpose of the grant. A Federal agency can decide to require grant recipients to deduct income from total allowable costs,

[32] 2 C.F.R. § 200.303, "Internal controls."

[33] 2 C.F.R. § 200.1, "Definitions."

[34] 2 C.F.R. § 200.307, "Program Income."

add income to total allowable costs, or use income to meet cost-sharing requirements. OCC's terms[35] for the initial grant required it to "report program income from the project and treat program income as being in addition to what is funded by the Federal grant. Any income generated by the project may be added to the Federal award with prior approval of the Federal awarding agency." Recipients are required to report program income in their Federal financial reports (SF-425) to OWPO.

We found that OCC reported and certified incorrect and incomplete information to OWPO in its Federal financial reports because it failed to report $703,936 in earned program income, as required. OCC did not report increased total Federal expenditures once it earned the income and ultimately drew down all $25 million in grant funding. Specifically, we determined that OCC sold the salvaged pipe pulled from the wells to the pluggers performing the well-plugging. Rather than paying separately for the pipe, the pluggers reduced their invoices by an OCC-estimated sale price of the salvaged pipe. For example, a $20,000 invoice from a plugger who received $1,000 worth of salvaged pipe would result in a $19,000 payment from the State. In this example, the $1,000 difference would be program income and treated as an addition that increases total allowable costs applied to the project. However, in all five of the financial reports that OCC submitted to OWPO during the scope of our audit, OCC reported no program income related to the grant.

Program income was not reported properly because OCC did not have a policy for completing the SF-425 to consider amounts received during the performance of the grant as program income. OCC told us that since the salvage amount was offset (not added) against the total well-plugging cost on the invoice, it was not considered program income. However, OCC did have an account to accumulate salvage value amounts. It did not create a separate salvage transaction in its accounting system when the invoice was processed to record that amount. Further, OWPO and IBC did not properly scrutinize OCC's financial report submissions when contractor invoices that included salvage were submitted by OCC.

Without policies and procedures regarding program income management, inaccurate reporting will continue. Without complete and accurate reporting, OWPO cannot carry out its monitoring and oversight of the award, including ensuring that program income generated from orphaned well funds is used in compliance with award requirements.

OWPO did not change how program income will be addressed in its formula grant award to OCC and will use the addition method for program income.[36] OWPO also required OWPO approval of any program income the formula award generates in advance. In addition, OCC plans to change how it handles salvage program income going forward, which could impact future reporting. OCC told us that it does not plan to obtain salvage value from the pluggers for the pipe removed going forward. Instead, the pipe will be left at the location and will be cleaned up by a private entity and DOI may not receive any program benefit. Nonetheless, that approach may change over the lifetime of the formula grant, and it is important that OCC report its program income accurately so that OWPO and Congress can understand the full scope and benefits of this program.

As a result of OCC's noncompliance with Federal regulations, OWPO did not have complete financial information for monitoring grant performance and annual reporting to Congress.[37]

[35] OCC's grant award on August 25, 2022, originally required the deduction method for program income; however, IBC amended that term to the addition method on October 27, 2022.

[36] 2 C.F.R. § 200.307(b), "Program Income." For example, under the addition method using the initial grant terms, if $10,000 of program income was earned and reported, then the original award of $25,000,000 would now have a total project budget of $25,010,000 while work gets completed. The $10,000 must be used for allowable costs that support the program and IBC would amend the award amount at any time up until closeout.

[37] 42 U.S.C. § 15907(f).

Recommendations

We recommend that the OWPO:

9. Require the Oklahoma Corporation Commission to develop and implement policies and procedures to identify and report program income resulting from a Federal award.
10. Require the Oklahoma Corporation Commission to submit a plan for future salvage to the Orphaned Wells Program Office for review to ensure the Oklahoma Corporation Commission complies with Federal program income regulations.
11. Implement a mechanism to monitor program income reporting going forward.

OCC Did Not Determine if Well Pluggers Were Contractors or Subrecipients

Federal regulations[38] require pass-through entities to determine on a case-by-case basis whether the entity receiving Federal funds is a subrecipient or a contractor and to classify each agreement as a subaward or a procurement contract. In making this determination, the substance of the relationship is more important than the form of the agreement. According to Federal regulations,[39] subawards are given to subrecipients who are responsible for programmatic decision making and would contribute to the goals and objectives of the project by carrying out part of a Federal award received by a pass-through entity (e.g., OCC). Contracts, for the purpose of Federal financial assistance, are legal instruments by which a recipient or subrecipient conducts procurement transactions (providing goods or services) under a Federal award.

We found that although OCC executed the awards correctly as contracts, it did not conduct an analysis to determine whether the agreements were subawards or contracts. All the executed contracts have standard terms and conditions for contractors to supply well-plugging services. Further, we determined that the terms of the contracts reflect that the supplier is not responsible for carrying out part of the Federal award and, therefore, is not a subrecipient. For example, the supplier is not responsible for programmatic decision making under the contracts.[40]

This failure to make the required determination occurred because OCC and OMES did not discuss which office was responsible. OCC thought that OMES made the decision because OCC assumed a contractor relationship. However, an OMES official stated that the decision should have been made at the OCC divisional level. Neither OCC nor OMES could provide documentation on roles and responsibilities for making subrecipient and contractor determinations or the procedures they followed to do so. OCC agreed with us and stated that it will implement a more clearly defined and documented process to ensure proper classification of entities to whom it awards Federal funds in accordance with Federal guidance.

Without adequate guidance to make a determination and classify the awards with the pluggers as either contractors or subrecipients, OCC risks noncompliance with Federal requirements as it spends over $102 million in formula grant funds. Before entering into a relationship with another entity under a Federal grant, documenting this relationship is vital to determine the allocation of responsibilities, type, and frequency

[38] 2 C.F.R. § 200.331, "Subrecipient and contractor determinations."

[39] 2 C.F.R. § 200.1, "Definitions."

[40] 2 C.F.R. § 200.331(a)(3).

of oversight required, and the appropriate application of indirect cost rates.[41] For subawards, OCC must ensure that subrecipients conduct their portions of the statement of work in compliance with all applicable terms and conditions[42] and that project costs incurred by subrecipients are reasonable and allowable. Further, contracts under Federal awards should be subject to competitive bidding procurement practices to ensure that funds paid to vendors do not exceed fair market value.

Recommendation

We recommend that the OWPO:

12. Require the Oklahoma Corporation Commission to develop and implement policies and procedures for determining and documenting whether grant funds are awarded as subawards or contracts.

[41] Since different criteria from the C.F.R., Federal Acquisition Regulation, or State policies would apply, ensuring the appropriate application of indirect cost rates is important for how indirect costs are calculated and charged. Subawards have compliance requirements in accordance with the C.F.R. whereas contracts may have compliance requirements with the Federal Acquisition Regulation and State policies.

[42] Agreements with contractors (vendors) to purchase services, however, typically do not bind vendors to the full set of Federal grant terms and conditions.

Conclusion and Recommendations

Conclusion

OCC made progress in addressing the serious threats posed by orphaned wells to human health and the environment by plugging 1,123 (about 94 percent) out of an estimated 1,196 orphaned wells with IIJA initial grant funding as of March 2026. However, we found significant deficiencies in OCC's procurement of well-plugging contracts, obligation of funding, reporting of program income, and determination of relationships with contractors and subrecipients. Specifically, OCC contracts should have been awarded using competitive bidding policies consistent with Federal regulatory requirements. In addition, OCC did not obligate all grant funds within the statutorily required 12-month period or reimburse DOI for the unobligated funds when it failed to do so. We also found that controls are needed to improve OCC's reporting of program income and awarding of funds to contractors and subrecipients. With over $102 million in formula grant funding awarded to OCC, it is critical that OCC correct these deficiencies to ensure compliance and accountability over this larger grant spanning the next five years. We make 12 recommendations that, if implemented, will help improve OWPO's oversight and Oklahoma's IIJA orphaned well grant performance.

Recommendations Summary

We provided a draft of this report to OWPO for review. OWPO concurred with all 12 recommendations. We consider Recommendations 2, 3, and 7 through 12 resolved, and Recommendations 1, 4, 5, and 6 implemented. We determined that Recommendations 1, 2, and 4 are significant, and we will report them as such in our semiannual report to Congress in accordance with the Inspector General Act.[43] Below we summarize OWPO's response to our recommendations, as well as our comments on its response. OWPO's response also included technical comments, which we evaluated.[44] Where appropriate, we made changes to the final report based on those comments. See Appendix 6 for the full text of OWPO response.

We recommend that OWPO:

1. Resolve the questioned costs of $23,865,670 for the lack of a documented procurement competitive bidding policy for well-plugging contracts.

   OWPO Response: OWPO concurred with the recommendation and stated that while OCC's process did not fully demonstrate compliance with the applicable Federal procurement requirements, the $23,865,670 in questioned well-plugging contract costs were allowable and procured using established policy and process. Prior to procuring future well-plugging contracts, OCC is required to provide its revised procurement policy to document compliance with competitive bidding requirements.

   OWPO provided a March 2027 target implementation date.

   Status: Implemented. No action required. Closed under Recommendation No. 2025-ER-006-01.[45]

   OIG Comment: Based on OWPO's response, we consider this recommendation implemented. Specifically, OWPO reviewed the expenditures and decided to allow the questioned costs because it determined that OCC used its established policy and processes, although OCC's established policy

[43] 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.

[44] As is typically our practice, we did not include these technical comments in the final version of our report.

[45] The numbering convention we use to track recommendations is the report number followed by sequential recommendation digits.

and processes were not consistent with Federal procurement requirements for competitive bidding. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

2. Require the Oklahoma Corporation Commission to develop, implement, and communicate to staff new policies and procedures for procurements under Federal grants that satisfy the requirements of Federal regulations and State law.

   OWPO Response: OWPO concurred with the recommendation and stated that "OCC is developing new procurement policies and procedures that include the use of sealed bids, which the OWPO expects will address the concerns identified by the OIG. The OWPO will require the OCC to furnish copies of their new policies, procedures, and distribution memorandums as evidence that they have revised, distributed and implemented new procurement policies and procedures that comply with 2 CFR 200, the requirements of Federal regulations and State law, and the OIG's recommended corrective actions." OWPO further stated that, because the initial grant work has been completed, no additional procurements will be conducted under that award, and the "revised policies and procedures will apply to future federally funded plugging activities."

   OWPO provided a March 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-02.

   OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides documentation demonstrating OCC's revised policies, procedures, and distribution memoranda as evidence that it implemented new procurement policies and procedures that comply with 2 C.F.R. 200, the requirements of Federal regulations and State law, and our recommended corrective actions. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

3. Require the Interior Business Center to modify its risk assessment of the Oklahoma Corporation Commission in accordance with 2 C.F.R. § 200.206(b) and (c) and make any changes to the terms and conditions of the Oklahoma Corporation Commission's formula grant that are necessary to mitigate the increased risks presented by the Oklahoma Corporation Commission's noncompliance with Federal regulations and lack of competitive bidding.

   OWPO Response: OWPO concurred with the recommendation and stated that it will coordinate with IBC to review its risk assessment and determine whether revisions to the award terms and conditions or additional monitoring measures are necessary to mitigate identified risks. Also, OWPO stated that "once finalized, the OWPO will provide an updated risk assessment and documentation of any resulting changes to the award terms and conditions or post-award monitoring plan."

   OWPO provided a March 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-03.

   OIG Comment: This recommendation will be implemented when OWPO provides documentation demonstrating it has coordinated with IBC to update the risk assessment and make any necessary changes to the award terms and conditions or post-award monitoring plan.

4. Resolve the questioned costs of $13,460,159 for which the Oklahoma Corporation Commission did not properly obligate well-plugging contract costs in the timeframe required by the statute and relevant guidance.

   OWPO Response: OWPO concurred with the recommendation and stated that "the $13,460,159 in questioned costs are associated with allowable well-plugging contract costs for documented orphaned wells completed within the scope and period of performance of the grant following the OCC's established internal policies and processes." Also, "OWPO documented that the OCC completed the Initial Grant work and drew these allowable costs during the grant period of performance and in compliance with award terms and conditions and no further action is required."

OWPO will require OCC to develop and implement a policy to track and monitor requirements so only allowable well-plugging contract costs are obligated for future awards as part of control mechanisms that will be implemented in Recommendations 7 and 8.

Status: Implemented. No action required. Closed under Recommendation No. 2025-ER-006-04.

OIG Comment: Based on OWPO's response, we consider this recommendation implemented. Specifically, OWPO reviewed the questioned contract costs and decided to allow them because it determined that the questioned costs occurred during the grant's period of performance and complied with award terms and conditions, despite not being obligated during the period required by statute. We determined this recommendation is significant and will report it as such in our semiannual report to Congress.

5. Resolve the questioned costs of $271,294 for which the Oklahoma Corporation Commission did not properly obligate Oklahoma Corporation Commission's payroll costs in the timeframe required by the statute and relevant guidance.

   OWPO Response: OWPO concurred with the recommendation and stated that "the $271,294 in questioned costs are associated with allowable payroll costs for work completed within the scope and period of performance of the grant with established OCC policies and processes. The OWPO documented that the OCC completed the Initial Grant work and drew these allowable costs during the grant period of performance and in compliance with award terms and conditions. No further action is required."

   OWPO will require OCC to develop and implement a policy to track and monitor requirements so only allowable labor costs are obligated for future awards as part of control mechanisms that will be implemented in Recommendations 7 and 8.

   Status: Implemented. No action required. Closed under Recommendation No. 2025-ER-006-05.

   OIG Comment: Based on OWPO's response, we consider this recommendation implemented. Specifically, OWPO reviewed the payroll expenditures and decided to allow the questioned costs because it concluded that they occurred during the grant's period of performance and complied with award terms and conditions, despite not being obligated during the period required by statute.

6. Resolve the questioned costs of $15,036 for which the Oklahoma Corporation Commission did not properly obligate administrative assistance costs in the timeframe required by the statute and relevant guidance.

   OWPO Response: OWPO concurred with the recommendation and stated that "the $15,036 in questioned costs are associated with allowable administrative assistance costs for work completed within the scope and period of performance of the grant following the OCC's established policies and processes. The OWPO documented that the OCC completed the Initial Grant work and drew these allowable costs during the grant period of performance and in compliance with award terms and conditions. No further action is required."

   OWPO will require OCC to develop and implement a policy to track and monitor requirements so only allowable administrative assistance costs are obligated for future awards as part of control mechanisms that will be implemented in Recommendations 7 and 8.

   Status: Implemented. No action required. Closed under Recommendation No. 2025-ER-006-06.

OIG Comment: Based on OWPO's response, we consider this recommendation implemented. Specifically, OWPO reviewed the questioned administrative assistance costs and decided to allow them because it determined that they occurred during the grant's period of performance and complied with award terms and conditions, despite not being obligated during the period required by statute.

7. Require the Oklahoma Corporation Commission to develop and implement policy to track and monitor requirements of Federal grant awards so only allowable costs are charged to Federal grants.

   OWPO Response: OWPO concurred with the recommendation and stated that "OWPO will require the OCC to develop and implement a written policy for tracking and monitoring Federal award requirements to ensure that only allowable costs are charged to future Federal grants. The OCC will provide the finalized policy and documentation demonstrating implementation."

   OWPO provided a March 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-07.

   OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides documentation demonstrating OCC has implemented a written policy for tracking and monitoring Federal award requirements to ensure that only allowable costs are charged to future Federal grants.

8. Implement a mechanism to track and monitor State grantees' obligation of funds in accordance with the Infrastructure Investment and Jobs Act and applicable grant terms.

   OWPO Response: OWPO concurred with the recommendation and stated that "OWPO, in coordination with IBC, will formalize additional post-award monitoring of State recipients' obligations within the existing Post-Award Standard Operating Procedures." In addition, "OWPO will document monitoring activities and apply written procedures for reviewing recipient reports, including verification of obligation status against statutory deadlines, award terms, approved budgets, and reported project progress."

   OWPO provided a March 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-08.

   OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides the applicable post-award monitoring procedures and documentation demonstrating implementation of the additional monitoring mechanisms.

9. Require the Oklahoma Corporation Commission to develop and implement policies and procedures to identify and report program income resulting from a Federal award.

   OWPO Response: OWPO concurred with the recommendation and stated that the current grant "award term addresses the treatment of program income, recipient responsibilities, supporting documentation, and applicable regulations." In addition, OWPO will provide written instructions to OCC requiring development and implementation of policies and procedures to identify and report program income.

   OWPO provided a March 2027 target implementation date.

   Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-09.

   OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides documentation demonstrating OCC has developed and implemented policies and procedures to identify and report program income.

10. Require the Oklahoma Corporation Commission to submit a plan for future salvage to the Orphaned Wells Program Office for review to ensure the Oklahoma Corporation Commission complies with Federal program income regulations.

    OWPO Response: OWPO concurred with the recommendation and stated that "the current program-income grant award term addresses the treatment of program income, including income from salvage." In addition, "OWPO will provide written instructions to the OCC requiring them to specifically address salvage in their program income policies and procedures and notify the OWPO before pursuing any salvage activity during the award period of performance."

    OWPO provided a March 2027 target implementation date.

    Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-10.

    OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides documentation demonstrating it has provided written instructions to OCC requiring it to specifically address salvage in its program income policies and procedures and notify OWPO before pursuing any salvage activity during the award period of performance.

11. Implement a mechanism to monitor program income reporting going forward.

    OWPO Response: OWPO concurred with the recommendation and stated that "OWPO, in coordination with IBC, will formalize additional post-award monitoring of program income reporting within the existing Post-Award Standard Operating Procedures." In addition, "IBC will develop written procedures for monitoring program income based on information submitted by recipients."

    OWPO provided a March 2027 target implementation date.

    Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-11.

    OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides documentation demonstrating it has implemented applicable post-award monitoring procedures and that IBC developed written procedures for monitoring program income.

12. Require the Oklahoma Corporation Commission to develop and implement policies and procedures for determining and documenting whether grant funds are awarded as subawards or contracts.

    OWPO Response: OWPO concurred with the recommendation and stated that, "[i]n coordination with IBC, the OWPO will require the OCC to develop and implement written policies and procedures for determining and documenting whether grant funds are awarded as subawards or contracts."

    OWPO provided a March 2027 target implementation date.

    Status: Resolved. We will track implementation under Recommendation No. 2025-ER-006-12.

    OIG Comment: This recommendation is resolved. It will be implemented when OWPO provides documentation demonstrating OCC has developed and implemented written policies and procedures that comply with applicable Federal criteria for determining and documenting whether grant funds are awarded as subawards or contracts.

Appendix 1: Scope and Methodology

Scope

We audited OCC's initial grant funds awarded by DOI to plug wells under the IIJA. We examined grant funds expended from October 2022 through January 2025. Our audit included expenditures of $24,576,881 in grant funds and $703,936 in program income funds. We maintained awareness of OCC's grant performance after January 2025 to ensure we were aware of new information that could impact our findings and report.

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 OCC's control activities and the following related principles were significant to the audit objectives:

- Management should design control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

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

- Reviewing Pub. L. No. 117-58 § 40601, "Orphaned Well Site Plugging, Remediation, and Restoration"; the C.F.R.; Oklahoma statutes, regulations, policies, procedures and manuals; and OWPO's initial grant and formula grant guidance.
- Gathering background information on OCC's work and mission.
- Interviewing management and staff from OCC management, well-plugging companies, OWPO, and IBC.
- Analyzing OCC's procurement procedures to verify that they comply with Federal regulations and grant terms and conditions.
- Comparing the information reported to OWPO to OCC supporting documentation for accuracy.
- Testing OCC's contract oversight processes. Our testing included contracts awarded to verify that OCC obtained appropriate approvals, including required contract provisions in accordance with Federal regulations and grant requirements, and verify whether inspections to monitor progress and compliance with Oklahoma's well-plugging standards were conducted.
- Testing incurred costs. Our testing included a sample of OCC and contractor-incurred costs to determine if costs complied with Federal laws and regulations and grant terms and conditions, including determining whether:

  - Costs were permissible in accordance with IIJA § 40601 requirements.
  - Costs were allowable in accordance with the C.F.R.
  - Contractor labor costs were supported by certified payroll records and complied with the Davis-Bacon Act.
  - Contract services complied with the contract and work orders and were invoiced correctly.
  - Contract invoices were reviewed and approved by OCC staff.
- Conducting site visits to OCC's headquarters and to four orphaned well sites.

We found deficiencies in internal control related to compliance with grant terms and procurement policies and procedures, as well as concerns with documenting relationships with grant fund recipients and reporting program income. We made recommendations to address these issues.

We relied on computer-generated data OCC provided from its accounting system. We tested the data by sampling expenditures and verifying them to source documents such as contract documents, invoices, and purchase orders. We also interviewed and queried individuals responsible for the data to determine completeness and accuracy. While we assessed the accuracy of the transactions tested, we did not assess the reliability of the accounting system as a whole.

Based on the results of our initial assessments, we used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing (described above) performed in each area. We randomly selected a statistical sample to evaluate 65 contractor invoices from a population of 1,108 along with a judgmental sample of procurement documentation of the 17 well-plugging contractors, $677,448 of OCC payroll costs, five Federal financial reports for program income, and one purchase order for administrative contract labor. On the sample selections generated using statistical sampling parameters, we did not have specific exceptions within contractor invoices. Therefore, we did not project the results of our tests to the total population of transactions with the audit conclusions based solely on examining the cost of each sampled item.

Appendix 2: Abbreviations

Abbreviation	Definition
DOI	U.S. Department of the Interior
IIJA	Infrastructure Investment and Jobs Act
OCC	Oklahoma Corporation Commission
OMES	Office of Management and Enterprise Services
OWPO	Orphaned Wells Program Office
SFY	State Fiscal Year

Appendix 3: IIJA Orphaned Wells State Program Permissible Activities

IIJA § 40601 allows States to undertake certain activities using IIJA funds, including:

- Plug, remediate, and reclaim orphaned wells located on State-owned or privately owned land.
- Identify and characterize undocumented orphaned wells on State and private land.
- Rank orphaned wells based on public health and safety, potential environmental harm, and other land-use priorities.
- Make information regarding the use of funds received under IIJA § 40601 available on a public website.
- Measure and track emissions of methane and other gases associated with orphaned wells and contamination of groundwater or surface water associated with orphaned wells.
- Remediate soil and restore native species habitat that has been degraded because of orphaned wells and associated pipelines, facilities, and infrastructure.
- Remediate land adjacent to orphaned wells and decommission or remove associated pipelines, facilities, and infrastructure.
- Identify and address any disproportionate burden of adverse human health or environmental effects of orphaned wells on communities of color, low-income communities, and Tribal and Indigenous communities.
- Administer a program to carry out any activities described above, subject to the administrative cost limitation.

Appendix 4: Monetary Impact

Description	Unallowable Questioned Costs
No Competitive Bidding Policy	$23,865,670
Well-Plugging Contracts	$13,460,159*
OCC Payroll	$271,294
Administrative Assistance	$15,036
Total	**$24,152,000**

Source: Office of Inspector General.

* We questioned costs for multiple reasons because the same dollars failed multiple compliance requirements. Specifically, we questioned $13,460,159 of costs incurred because OCC did not have policies and procedures for competitive bidding and because these costs were not obligated within the IIJA-required 12-month period. Since the cumulative total of our findings exceeds the total amount of the grant award, we have limited the total questioned costs to the award amount, $24,152,000, to avoid duplicative questioned costs.

Appendix 5: Glossary of Terms

We developed this glossary of terms and definitions using information from various sources as identified below.

Abandoned Well: “Listed in a report published by the Corporation Commission identifying oil or gas wells which have been determined to be abandoned or orphaned by the Corporation Commission as a result of bankruptcy, inability to find the owner, or for other reasons” (Source: OCC).

Cost analysis: “[T]he review and evaluation of any separate cost elements and profit or fee in an offeror’s or contractor’s proposal, as needed to determine a fair and reasonable price or to determine cost realism, and the application of judgment to determine how well the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency” (Source: Federal Acquisition Regulation 15.404-1(c)).

Documented Well: The State or regulatory agency has a drilling report, completion report, inspection report, or other record establishing the existence of the well such as its precise location (Source: Interstate Oil and Gas Compact Commission).

Encumbrance: “Refers to the setting aside of budget dollars for a specific purpose.” (Source: Oklahoma Statewide Accounting Manual). Encumbrance requirements for payment of state funds: “Encumbrance requirements for payments from funds of the state shall include whenever agencies of this state enter into contracts for, or on behalf of the state for the purchase of tangible or intangible property, or for services or labor, such agreement shall be evidenced by written contracts or purchase orders.” (Source: Oklahoma Statutes Title 62, Public Finance, § 62-34.62).

Financial obligations: “[O]rders placed for property and services, contracts and subawards made, and similar transactions that require payment by a recipient or subrecipient under a Federal award that will result in expenditures by a recipient or subrecipient under a Federal award” (Source: 2 C.F.R. § 200.1).

Orphaned Well: A well with (1) no legally responsible or liable party to perform permanent well-plugging, abandonment and reclamation; and (2) no adequate financial assurance for which the United States is the beneficiary to cover the estimated cost of permanent well-plugging, abandonment, and surface reclamation (Source: BLM Instruction Memorandum 2021-039).

Price analysis: “[T]he process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit” (Source: Federal Acquisition Regulation 15.404-1(b)).

Undocumented Well: A well unknown to a State or agency or one for which a State or agency has some evidence but requires further verification (Source: Interstate Oil and Gas Compact Commission).

Unliquidated obligations: “[F]inancial obligations incurred by the recipient or subrecipient but not paid (liquidated) for financial reports prepared on a cash basis. For reports prepared on an accrual basis, these are financial obligations incurred by the recipient or subrecipient but for which expenditures have not been recorded” (Source: 2 C.F.R. § 200.1).

Unobligated balance: “[T]he amount of funds under a Federal award that the recipient or subrecipient has not obligated. The amount is computed by subtracting the cumulative amount of the recipient's or subrecipient's unliquidated financial obligations and expenditures under the Federal award from the cumulative amount of funds the Federal agency or pass-through entity authorized the recipient or subrecipient to obligate” (Source: 2 C.F.R. § 200.1).

Appendix 6: OWPO Response to Draft Report

OWPO's response to our draft report follows on page 29.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

September 1, 2026

OWPO-2026-DIR-037

Memorandum

To: Nicki Miller
Assistant Inspector General, Office of Audits, Inspections, and Evaluation
Office of Inspector General

From: Jennifer L. Goldblatt
Director (Acting), Orphaned Wells Program Office

JENNIFER GOLDBLATT Digitally signed by JENNIFER GOLDBLATT
Date: 2026.09.01 11:24:42 -06'00'

Subject: Agency Response to the Draft Audit Report - *The Orphaned Wells Program Office and State of Oklahoma Should Improve the Oversight and Spending of Infrastructure Investment and Jobs Act Orphaned Wells Funding* Report No. 2025-ER-006

The Orphaned Wells Program Office (OWPO) is grateful for the opportunity to review and comment on the draft Office of Inspector General (OIG) audit report titled *The Orphaned Wells Program Office and State of Oklahoma Should Improve the Oversight and Spending of Infrastructure Investment and Jobs Act Orphaned Wells Funding* (draft audit). In the draft audit, the OIG identified twelve recommendations to assist the OWPO with providing effective oversight of and sufficient guidance to the Oklahoma Corporation Commission (OCC) and by extension, other state grant recipients.

The OWPO concurs with the twelve recommendations. Attached are our responses to each recommendation, which includes planned actions, target completion dates, and a responsible official. We appreciate our continued collaboration with the OIG and remain committed to improving our oversight of the IIJA orphaned wells program funding and ensuring accountability for grant recipient compliance with all financial assistance and program requirements.

If you have any questions about this response, please do not hesitate to contact me or reach out to our Audit Liaison Officer, Shauna Ertolacci, at shauna_ertolacci@ios.doi.gov.

Attachment

Agency Response to the Office of Inspector General's Draft Audit
The Orphaned Wells Program Office and State of Oklahoma Should Improve the Oversight and Spending of Infrastructure Investment and Jobs Act Orphaned Wells Funding
Report No. 2025–ER–006

September 1, 2026

Recommendation 1: *Resolve the questioned costs of $23,865,670 for the lack of a documented procurement competitive bidding policy for plugging contracts.*

OWPO Response: Concur
The Oklahoma Corporation Commission (OCC) used an established process to develop orphaned well packages, estimate costs, and offer the work to approved plugging contractors. While the process did not fully demonstrate compliance with the applicable Federal procurement requirements for competitive bidding, the $23,865,670 million in questioned well-plugging contract costs were allowable and procured using the OCC's established policy and process. No further action is required concerning the questioned costs. However, the OWPO, in coordination with IBC, has conveyed to the OCC its responsibility to ensure that its procurement policies comply with 2 CFR 200. Prior to procuring future well-plugging contracts, the OCC is required to provide its revised procurement policy to document compliance with competitive bidding requirements and implementation of the OIG's recommended corrective actions (see the response to Recommendation 2).

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

Recommendation 2: *Require the Oklahoma Corporation Commission to develop, implement, and communicate to staff new policies and procedures for procurements under Federal grants that satisfy the requirements of Federal regulations and State law.*

OWPO Response: Concur
The OCC is developing new procurement policies and procedures that include the use of sealed bids, which the OWPO expects will address the concerns identified by the OIG. The OWPO will require the OCC to furnish copies of their new policies, procedures, and distribution memorandums as evidence that they have revised, distributed and implemented new procurement policies and procedures that comply with 2 CFR 200, the requirements of Federal regulations and State law, and the OIG's recommended corrective actions. Because the Initial Grant work is complete, the OCC will not conduct additional procurements under that award, and the revised policies and procedures will apply to future federally funded plugging activities, specifically those associated with the OCC's Formula Grant [D25AF00429].

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 3</u>: *Require the Interior Business Center to modify its risk assessment of the Oklahoma Corporation Commission in accordance with 2 C.F.R. § 200.206(b) and (c) and make any changes to the terms and conditions of the Oklahoma Corporation Commission's formula grant that are necessary to mitigate the increased risks presented by the Oklahoma Corporation Commission's noncompliance with Federal regulations and lack of competitive bidding.*

OWPO Response: Concur
The OWPO will coordinate with IBC to review its risk assessment of the OCC in accordance with 2 C.F.R. § 200.206(b) and (c) and consider the procurement, obligation, program-income, and internal-control deficiencies identified by the OIG. Based on the updated assessment, IBC, in coordination with the OWPO, will determine whether revisions to the award terms and conditions or additional monitoring measures are necessary to mitigate the identified risks. Once finalized, the OWPO will provide an updated risk assessment and documentation of any resulting changes to the award terms and conditions or post-award monitoring plan.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 4</u>: *Resolve the questioned costs of $13,460,159 for which the Oklahoma Corporation Commission did not properly obligate well-plugging contract costs in the timeframe required by the statute and relevant guidance.*

OWPO Response: Concur
The OIG documented that the OCC was unable to fully obligate the Initial Grant funds within the one-year statutory obligation period. The $13,460,159 in questioned costs are associated with allowable plugging contract costs for documented orphaned wells completed within the scope and period of performance of the grant following the OCC's established internal policies and processes. The OWPO documented that the OCC completed the Initial Grant work and drew these allowable costs during the grant period of performance and in compliance with award terms and conditions. No further action is required.

Future Formula Grants provide a longer obligation period, which reduces the likelihood of recurrence; however, the OWPO will require the OCC to develop and implement a policy to track and monitor requirements so only allowable well-plugging contract costs are obligated for future awards. The OCC's development and implementation of a policy to track and monitor Federal award requirements will be addressed by the response to Recommendation 7 and the OWPO's implementation of a tracking and monitoring mechanism will be addressed by the response to Recommendation 8.

Target Date: Completed
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 5</u>: *Resolve the questioned costs of $271,294 for which the Oklahoma Corporation Commission did not properly obligate Oklahoma Corporation Commission's payroll costs in the timeframe required by the statute and relevant guidance.*

OWPO Response: Concur
The OIG documented that the OCC was unable to fully obligate the Initial Grant funds within the one-year statutory obligation period. The $271,294 in questioned costs are associated with allowable payroll costs for work completed within the scope and period of performance of the grant following the OCC's established internal policies and processes. The OWPO documented that the OCC completed the Initial Grant work and drew these allowable costs during the grant period of performance and in compliance with award terms and conditions. No further action is required.

Future Formula Grants provide a longer obligation period, which reduces the likelihood of recurrence; however, the OWPO will require the OCC to develop and implement a policy to track and monitor requirements so only allowable labor costs are obligated for future awards. The OCC's development and implementation of a policy to track and monitor Federal award requirements will be addressed by the response to Recommendation 7 and the OWPO's implementation of a tracking and monitoring mechanism will be addressed by the response to Recommendation 8.

Target Date: Completed
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 6</u>: *Resolve the questioned costs of $15,036 for which Oklahoma Corporation Commission did not properly obligate administrative assistance costs in the timeframe required by the statute and relevant guidance.*

OWPO Response: Concur
The OIG documented that the OCC was unable to fully obligate the Initial Grant funds within the one-year statutory obligation period. The $15,036 in questioned costs are associated with allowable administrative assistance costs for work completed within the scope and period of performance of the grant following the OCC's established internal policies and processes. The OWPO documented that the OCC completed the Initial Grant work and drew these allowable costs during the grant period of performance and in compliance with award terms and conditions. No further action is required.

Future Formula Grants provide a longer obligation period, which reduces the likelihood of recurrence; however, the OWPO will require the OCC to develop and implement a policy to track and monitor requirements so only allowable administrative assistance costs are obligated for future awards. The OCC's development and implementation of a policy to track and monitor Federal award requirements will be addressed by the response to Recommendation 7 and the OWPO's implementation of a tracking and monitoring mechanism will be addressed by the response to Recommendation 8.

Target Date: Completed
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 7</u>: *Require the Oklahoma Corporation Commission to develop and implement policy to track and monitor requirements of Federal grant awards so only allowable costs are charged to Federal grants.*

OWPO Response: Concur
The OWPO will require the OCC to develop and implement a written policy for tracking and monitoring Federal award requirements to ensure that only allowable costs are charged to future Federal grants. This policy will reduce the risk of improper obligations related to statutory requirements, as discussed in Recommendations 4, 5, and 6. The OCC will provide the finalized policy and documentation demonstrating implementation. The OWPO's improved monitoring and oversight is addressed in Recommendation 8.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 8</u>: *Implement a mechanism to track and monitor State grantees' obligation of funds in accordance with the Infrastructure Investment and Jobs Act and applicable grant terms.*

OWPO Response: Concur
The OWPO, in coordination with IBC, will formalize additional post-award monitoring of State recipients' obligations within the existing Post-Award Standard Operating Procedures. The OWPO will document monitoring activities and apply written procedures for reviewing recipient reports, including verification of obligation status against statutory deadlines, award terms, approved budgets, and reported project progress. The additional post-award monitoring will reduce the risk of improper obligations related to statutory requirements, as discussed in Recommendations 4, 5, and 6. The OWPO will provide the OIG with the applicable post-award monitoring procedures and documentation demonstrating implementation of the additional monitoring mechanisms.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 9</u>: *Require the Oklahoma Corporation Commission to develop and implement policies and procedures to identify and report program income resulting from a Federal award.*

OWPO Response: Concur
The current program-income award term addresses the treatment of program income, recipient responsibilities, supporting documentation, and applicable regulations. In addition, the OWPO will provide written instruction to the OCC requiring them to develop and implement policies and procedures to identify and report program income.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 10</u>: *Require the Oklahoma Corporation Commission to submit a plan for future salvage to the Orphaned Wells Program Office for review to ensure the Oklahoma Corporation Commission complies with Federal program income regulations.*

OWPO Response: Concur
The current program-income award term addresses the treatment of program income, including income from salvage. The OWPO will provide written instructions to the OCC requiring them to specifically address salvage in their program income policies and procedures and notify the OWPO before pursuing any salvage activity during the award period of performance. This will allow the OWPO to ensure that the OCC's salvage activities comply with Federal program income regulations.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 11</u>: *Implement a mechanism to monitor program income reporting going forward.*

OWPO Response: Concur
The OWPO, in coordination with IBC, will formalize additional post-award monitoring of program income reporting within the existing Post-Award Standard Operating Procedures. In addition, IBC will develop written procedures for monitoring program income based on information submitted by recipients. The procedures will establish steps to verify that recipients are applying the appropriate program income method (addition or deduction) as specified in the award terms and conditions. If necessary, the OWPO and IBC will provide supplemental guidance or oversight, as appropriate, to ensure recipients expend program income for allowable purposes and, when appropriate, use available program income before drawing down additional Federal funds. The OWPO will provide the OIG with applicable post-award monitoring procedures and supplemental guidance.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

<u>Recommendation 12</u>: *Require the Oklahoma Corporation Commission to develop and implement policies and procedures for determining and documenting whether grant funds are awarded as subawards or contracts.*

OWPO Response: Concur
In coordination with IBC, the OWPO will require the OCC to develop and implement written policies and procedures for determining and documenting whether grant funds are awarded as subawards or contracts. Although the OCC indicated that its Initial Grant well-plugging agreements were contracts rather than subawards, the OCC is required to furnish the OWPO with documentation regarding the determination and incorporation of applicable Federal criteria into its procedures before future agreements are executed.

Target Date: March 2027
Responsible Official: Jennifer L. Goldblatt, Director (Acting), Orphaned Wells Program Office

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

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