

# Summary: Company Reported False Invoices and Information to ONRR to Reduce Royalty Obligations

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The OIG initiated this investigation after we received allegations that Signal Peak Energy (SPE) submitted false invoices to the Office of Natural Resources Revenue (ONRR). These allegations<sup>1</sup> were brought to our attention by Montana State and Tribal Royalty Audit Committee (STRAC)<sup>1</sup> personnel. They alleged that, from January 2015 through December 2018, the time period covered by a STRAC audit, SPE submitted fraudulent subcontractor invoices to ONRR. STRAC alleged that SPE submitted these fraudulent invoices to claim transportation or processing allowances to reduce the amount of coal royalties it owed under a specific Federal mineral lease.

Our investigation confirmed that SPE submitted invoices to ONRR from two subcontractors—3 Solutions and TNT Technology—that contained false information. The former SPE Vice President of Surface Operations (“former SPE VP”) used 3 Solutions to advance a fraud scheme against SPE from 2014 to 2018. Other former SPE employees told us that the former SPE Chief Executive Officer (“former SPE CEO”) used TNT Technology in furtherance of the fraud scheme from 2018 to 2019, after the former SPE VP left SPE. The former SPE VP later pleaded guilty to the fraud scheme<sup>2</sup>; the former SPE CEO, though, died in February 2020 without being charged. Former SPE employees told us that 3 Solutions and TNT Technology created invoices with charges that were between 25 and 50 percent fraudulent. SPE later submitted these fraudulent invoices to ONRR, which reduced SPE’s Federal royalty payment obligations.

Our investigation also found that on April 22, 2022, SPE submitted a response to a STRAC “Fraud Questionnaire” that contained inaccurate information. At the time SPE submitted its answers to the questionnaire, SPE knew that the former SPE VP had pleaded guilty to fraud and had been sentenced to five years in prison in 2020. SPE also knew that SPE itself had pleaded guilty to willfully violating health and safety standards and had entered into a plea agreement with the Government in 2021.<sup>3</sup> Despite this knowledge, SPE did not disclose this information to the Government in its answers to the questionnaire.

We presented our findings to the U.S. Attorney’s Office for the District of Montana, which declined to prosecute the matter criminally but pursued the matter under the civil False Claims Act, 31 U.S.C. §§ 3729-3733. Ultimately, the Government and SPE reached a settlement in which SPE agreed to pay \$200,000 to the U.S. Government. The settlement agreement “specifically reserved” the U.S. Government’s right to pursue certain remedies not arising under the civil False Claims Act, including any other administrative remedies the Government might have.

This is a summary of an investigative report that we issued to the Director of ONRR.

<sup>1</sup> STRAC is a committee composed of State and Tribal partners with cooperative agreements with ONRR based on authorities outlined in the Federal Oil and Gas Royalty Management Act of 1982. The cooperative agreements allow States and Tribes to inspect, audit, investigate, and enforce royalty compliance on Federal and Indian lands.

<sup>2</sup> Press Release, U.S. Dep’t of Justice, D. Mont., Former Billings coal mining official sentenced to prison for \$20 million wire fraud scheme, false kidnapping (Oct. 2, 2020), <https://www.justice.gov/usao-mt/pr/former-billings-coal-mining-official-sentenced-prison-20-million-wire-fraud-scheme-false>.

<sup>3</sup> Press Release, U.S. Dep’t of Justice, D. Mont., Signal Peak Energy admits violating health, safety regulations at Roundup area coal mine (Oct. 7, 2021), <https://www.justice.gov/usao-mt/pr/signal-peak-energy-admits-violating-health-safety-regulations-roundup-area-coal-mine>.

