

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

March 30, 2017

Mr. Gene Dodaro
The Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

The Department of the Interior (DOI) oversees oil and gas activities on leased federal lands and waters, and the revenues generated from those activities are among the largest nontax sources of federal funds. Interior's Office of Natural Resources Revenue (ONRR) is responsible for collecting mineral revenue payments from leaseholders and disbursing those revenues to various parties, including the Federal Treasury, States, and Tribes.

In order to ensure that revenues are paid accurately and the American people receive the proper amount they are owed for the extraction of publicly owned minerals, ONRR operates a compliance program responsible for verifying payments and enforcing revenue laws and lease terms. During the George W. Bush Administration, the predecessor to ONRR, the Minerals Management Service (MMS), began deemphasizing the use of audits on royalty payors and began increasing the number of less-stringent compliance reviews. While compliance reviews require fewer personnel and can be an effective way of maximizing limited resources, in 2006 the DOI Office of Inspector General released a report on the MMS compliance review process and found several weaknesses in how MMS was conducting compliance reviews and evaluating their effectiveness.¹ The following year, the Subcommittee on Royalty Management (SRM) issued a report on revenue collections that made a number of recommendations related to the MMS audit and compliance program.²

While the Government Accountability Office (GAO) has done a considerable amount of work on production verification in recent years, which is one of the components of ensuring that the American people receive the proper amount of royalties, to our knowledge there have been no GAO reviews on the ONRR compliance program, nor any external reviews of that program since the SRM report in 2007. Therefore, in order to help our committee, and Congress more generally, evaluate Interior's oversight of oil and gas production from federal lands, including the costs and benefits of its compliance strategy, we request that GAO report on the following:

¹ Department of the Interior Office of the Inspector General Audit Report, *Minerals Management Service's Compliance Review Process*, C-IN-MMS-0006-2006, December 2006.

² Subcommittee on Royalty Management Report to the Royalty Policy Committee, *Mineral Revenue Collection from Federal and Indian Lands and the Outer Continental Shelf*, December 17, 2007.

- (1) How does ONRR develop its compliance strategy for determining appropriate audit and other compliance activities to ensure companies accurately report data used to collect royalties?
- (2) To what extent does ONRR coordinate with the State and Tribal Royalty Audit Committee and Interior bureaus undertaking compliance activities to support its compliance strategy?
- (3) What types of compliance activities is ONRR conducting; i.e., types of audits and scope of compliance reviews?
- (4) How does the cost of compliance activities compare with the collections resulting from compliance activities?
- (5) To what extent is ONRR meeting its requirements and goals for conducting compliance and audit activities?
- (6) Has ONRR properly implemented the recommendations of the OIG and SRM reports?

Sincerely,



Raúl M. Grijalva
Ranking Member
House Committee on Natural Resources



Alan Lowenthal
Ranking Member
House Subcommittee on Energy
and Mineral Resources