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

Better Internal Controls Could Ensure Accuracy of the Office of Natural Resources Revenue's Royalty Reporting and Adjustments

This is a revised version of the report prepared for public release.

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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

JAN 20 2022

Memorandum

To: Kimbra Davis
Director, Office of Natural Resources Revenue

From: Mark Lee Greenblatt
Inspector General

Subject: Final Audit Report – *Better Internal Controls Could Ensure Accuracy of the Office of Natural Resources Revenue's Royalty Reporting and Adjustments*
Report No. 2020-CR-009

This memorandum transmits our audit report on the Office of Natural Resources Revenue's Federal oil and gas royalty reporting adjustment process.

We will refer Recommendations 1 – 14 to the Office of Policy, Management and Budget (PMB) for implementation tracking and to report to us on their status. We note that five recommendations have target implementation dates in 2025, nearly 4 years from now. ONRR should revise and provide revised target implementation dates for Recommendations 1, 3, 4, 13, and 14 to the PMB. If the revised dates are more than 1 year from today, ONRR should establish mitigating measures until the recommendations are fully implemented. In addition, we will notify Congress about 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, please contact me or Kathleen Sedney, Assistant Inspector General for Audits, Inspections, and Evaluations, at 202-208-5745.

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What We Reviewed

The Office of Natural Resources Revenue (ONRR) collects revenues from oil and gas leases. Payors report sales from those leases to ONRR and report and pay their royalty obligations. When necessary, payors can also make adjustments, meaning a change to correct an overpayment or underpayment, to previous royalty reporting. We audited ONRR's processes for ensuring the accuracy of reporting adjustments made to Federal oil and gas royalty obligations.

What We Found

We found that, although ONRR established some internal controls and processes to ensure accurate royalty reporting for adjustments, improvements are needed to strengthen these controls. Specifically, we found that ONRR:

- Did not ensure that reasons for royalty adjustments were accurately identified
- Was not fully able to identify and monitor royalty reporting risks
- Did not have automated processes in place to apply overpayments and reporting adjustments that reduce royalties owed

We found these issues to be exacerbated because ONRR did not consistently require payors to follow its established reporting and royalty payment processes. The Federal Oil and Gas Royalty Management Act of 1982 gives ONRR the responsibility of establishing a collection, accounting, and auditing system to accurately collect and account for Federal oil and gas royalties. ONRR, however, did not require payors to follow established reporting processes to appropriately account for Federal oil and gas royalties.

What We Recommend

We make 14 recommendations to address the identified findings and strengthen ONRR's internal controls surrounding the Federal oil and gas royalty adjustment process.

Why This Matters

Federal oil and gas royalty revenue is one of the most significant nontax revenue generators for the Federal Government. ONRR collected more than $18 billion in Federal oil and gas royalty revenue during fiscal years (FYs) 2017 through 2019. For FYs 2017 through 2019, at least 64 percent of royalty reporting consisted of adjustments to royalty obligations. Therefore, ONRR must understand and monitor adjustments in order to ensure that they are accurate–namely, that the underlying information is correct and reasonable. Correcting the identified deficiencies and enforcing established reporting and royalty payment processes would improve the internal controls surrounding royalty adjustment reporting.

Introduction

Objective

Our objective was to determine whether the Office of Natural Resources Revenue (ONRR) had processes in place to ensure accurate reporting of Federal oil and gas royalty obligations when payors or their agents submitted adjustments. We did not verify that adjustments made by oil and gas companies were accurate. Rather, the focus of this audit was on ONRR's own processes for ensuring the accuracy of adjustments.

See Appendix 1 for the scope and methodology of our audit.

Background

ONRR collects natural resource and energy revenues and is responsible for collecting and managing one of the largest sources of nontax revenue for the Federal Government. It distributes approximately 98 percent of the collected revenue to the U.S. Treasury to support funds such as the Land and Water Conservation Fund, Historic Preservation Fund, and Reclamation Fund. ONRR also distributes revenues to States, Indian Tribes, and Indian mineral owners. ONRR has stated that it seeks to be the Nation's most trusted steward of natural resources revenue.

During fiscal years (FYs) 2017 through 2019, ONRR collected approximately $28 billion in natural resource and energy revenue and, as noted previously, ONRR collected more than $18 billion in Federal oil and gas royalty revenue during this time frame.

ONRR's royalty reporting system, eCommerce, is the entry point for payors to report royalty revenues on Federal oil and gas, including adjustments. Payors report royalty revenues using the electronic Report of Sales and Royalty and Remittance form (ONRR-2014 form). Payors also use the ONRR-2014 form to submit adjustments to prior royalty revenue reporting, recoup overpaid or overreported amounts, or to change information that has no effect on payments. For FYs 2017 through 2019, at least 64 percent of royalty reporting were adjustments to royalty obligations.

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) defines the responsibilities and obligations of entities involved in the sale of Federal oil and gas.[1] In addition, it defines the authorities and responsibilities of the Secretary of the Interior to implement a royalty management system for Federal oil and gas. See Figure 1 for an overview of the FOGRMA requirements referenced in this report.

[1] 30 U.S.C. § 1701 *et seq*.

Figure 1: FOGRMA Statutory Requirements

Section	Requirement
30 U.S.C. § 1711	Requires ONRR to establish an accounting and auditing system to accurately identify and collect oil and gas royalties owed Requires ONRR to review Federal oil and gas royalties to ensure accuracy
30 U.S.C. § 1713	Requires Federal oil and gas companies to report and provide any information that ONRR requires by rule
30 U.S.C. § 1751	Gives ONRR the authority to prescribe rules and regulations as necessary to carry out its responsibilities

The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA) amended FOGRMA to improve the management of Federal oil and gas royalties. This act specified that if a payor determines an adjustment or refund is necessary to correct an overpayment or underpayment of a royalty obligation (which is itself a percentage of the sale), the adjustment or refund request should be made within a "reasonable" period of time and within the adjustment period. Per RSFA, the adjustment period is within 6 years after the due date of the obligation.

A **royalty obligation** is a percentage of the amount of oil and gas sold using an established royalty rate.

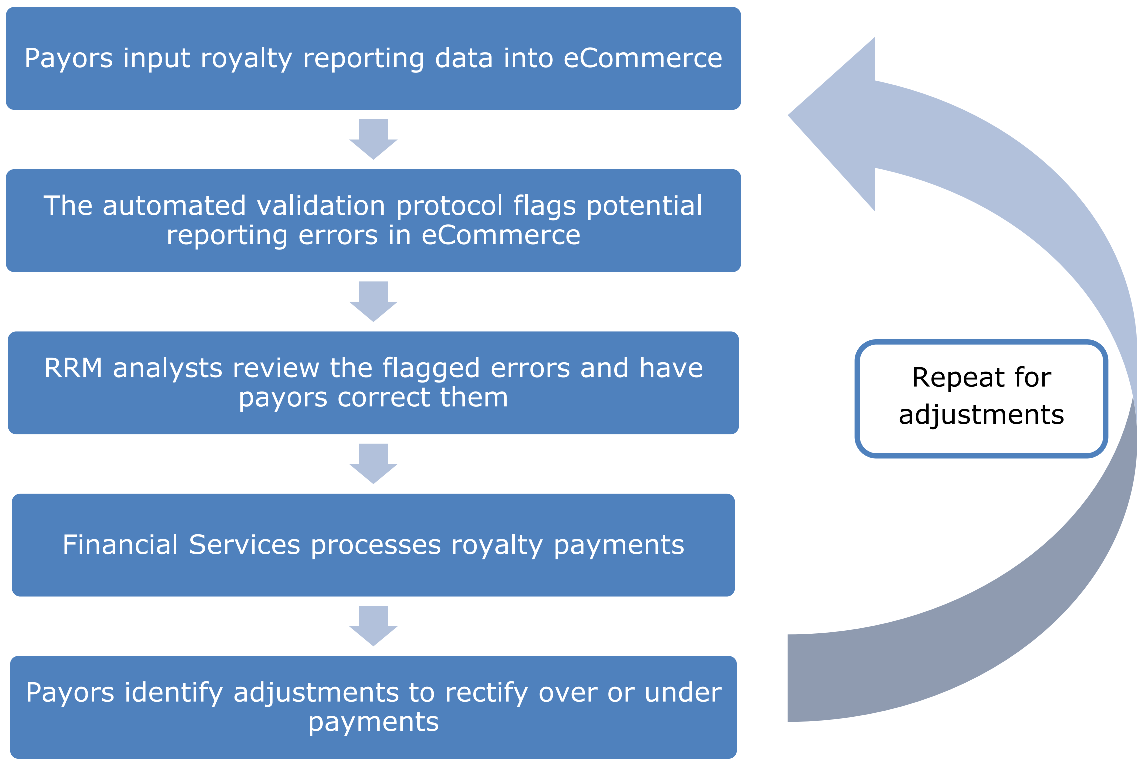
Royalty reporting identifies the royalties on the sale of oil and gas for a particular period of time.

An **adjustment** is an amendment to a previously reported royalty obligation to rectify an overpayment or underpayment.

Potential Errors in Royalty Reporting

ONRR addresses potential errors in royalty reporting through an automated validation protocol and a process known as "upfront edits." Upfront edits flag potential reporting errors in eCommerce and are created through a collaborative process between the Reference and Reporting Management (RRM) department and other components within ONRR. The automated validation protocol compares the royalty reporting to the upfront edits, which helps identify potential errors in the reporting. Then, RRM analysts review any reported data that triggered an error in the system (see Figure 2).

Figure 2: ONRR's Royalty Reporting Process



There are four ONRR components primarily involved with ensuring the accuracy of royalty reporting and adjustments:

- Reference and Reporting Management – Serves as the entry point for royalty reporting and adjustments

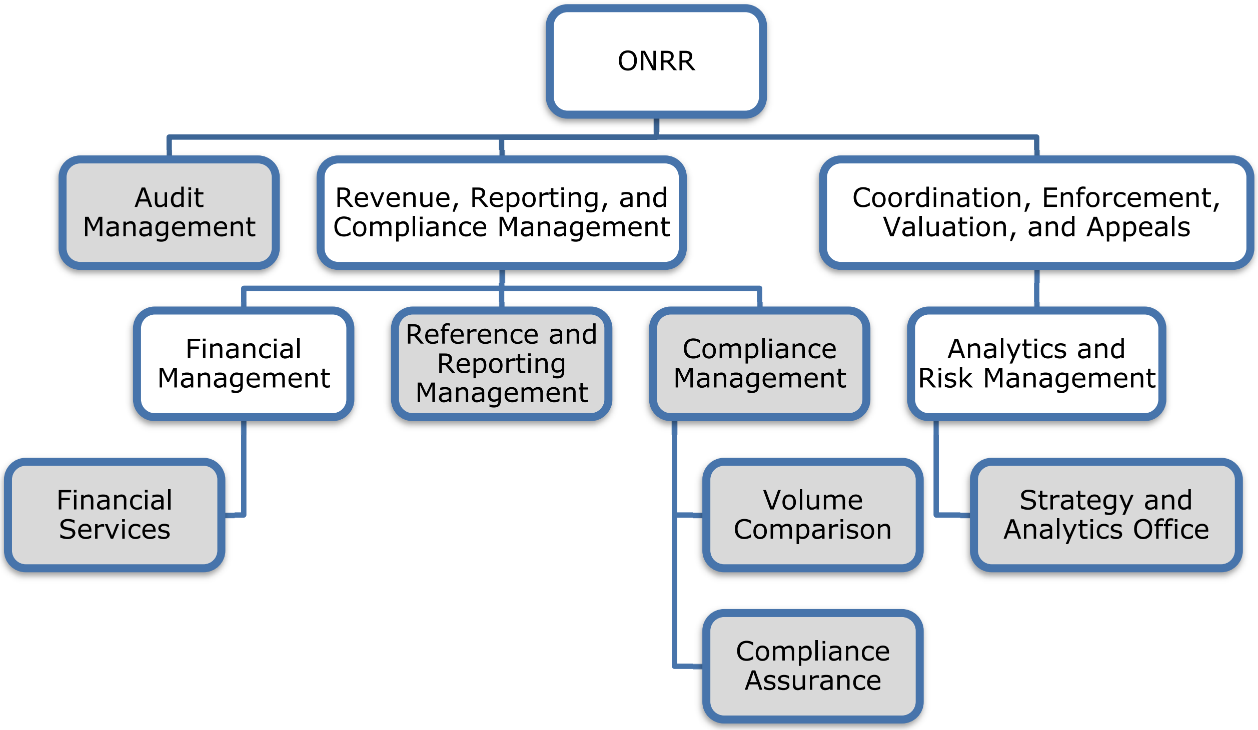
- Strategy and Analytics Office – Selects the cases for compliance activities

- Audit Management – Audits royalty data

- Compliance Management – Performs activities such as compliance reviews and volume comparisons on royalty records

See Figure 3 for an organizational chart showing where these components, as well as other components mentioned in this report, are located within ONRR.

Figure 3: ONRR Organizational Chart



Note: The components discussed in this report are shaded in gray.

ONRR created the Strategy and Analytics Office (SAO) in FY 2017, under the umbrella of the Analytics and Risk Management department, as part of a reorganization within ONRR. The SAO's purpose is to improve ONRR's data management and data tools, to develop new ways of using data to improve efficiencies, and to develop a new and consolidated audit and compliance work planning process.

Compliance Activities

ONRR established three types of compliance activities to review royalty reporting, including adjustments: volume comparisons, compliance reviews, and audits. Brief descriptions of these compliance activities can be found in Figure 4.

Figure 4: ONRR’s Compliance Activities

Compliance Activity	Description
Volume Comparison	Volume comparisons include three types of reviews: comparisons of the oil and gas production reported on the ONRR-2014 forms and the Oil and Gas Operations Report, reviews of negative amounts on leases, and agreement monitoring to ensure companies are reporting in accordance with the agreement
Compliance review	A review designed to determine the reasonableness of company reported royalty and production data on Federal or Indian leases
Audit	A review of royalty reporting and royalty or fee payment compliance activities of lessees, designees, or other persons who pay royalties, rents, or bonuses on Federal or Indian leases

The SAO receives referrals or performs data analytics to select cases for compliance reviews and audits. The Volume Comparison group selects its own cases for review.

Adjustment Coding System

When payors submit adjustments to prior royalty revenue reporting in the eCommerce system, they must also include a reason for the adjustment using an adjustment reason code (ARC). Identifying the reasons for adjustments is important because ONRR needs complete and accurate data from payors to collect, account for, and verify natural resource and energy revenues. ONRR’s *Mineral Revenue Reporter Handbook* (*Handbook*), dated May 1, 2015, provides guidance to all payors on how to submit initial royalty reporting data and make adjustments to prior royalty reporting data. The *Handbook* instructs payors to include the appropriate ARC when adjusting royalty obligations and includes a list of 12 ARCs from which to choose (see Figure 5). One code, however—ARC 0 is not defined in the *Handbook*. Rather, this ARC is the default code when the ARC field is left empty.

Figure 5: ARCs for Adjusting Royalty Obligations

ARC	Description
10	Adjustment
15	Marginal property true-up
16	Major portion/dual accounting
17	ONRR-initiated compliance adjustment
25	Netback costs true-up (geothermal leases only)
26	Change valuation method (geothermal leases only)
31	Retroactive mandatory price adjustment (geothermal leases only)
32	Estimate adjustment
35	Unit participating area or communitization agreement* adjustment
49	Index zone or dual accounting price adjustment
71	Estimate underpayment or overpayment interest
72	Audit underpayment or overpayment interest

* According to the *Handbook*, a communitization agreement "brings together parcels of land to satisfy drilling limitations imposed by formal State spacing orders or established field spacing rules."

Findings

While ONRR had established some internal controls and processes to ensure adjustments are accurately reported, such that the underlying information is correct and reasonable, we concluded that improvements are needed to strengthen these controls. Specifically, we found that ONRR's current royalty reporting processes did not ensure that:

- Reasons for reporting royalty adjustments were accurately identified
- Royalty reporting risks were identified and continuously monitored

In addition, ONRR did not have automated processes in place to apply overpayments and reporting adjustments that reduce royalties owed. Instead, ONRR Financial Services staff had to coordinate with the oil and gas companies to manually remove the credits caused by overpayments and adjustments.

FOGRMA gives ONRR the responsibility of establishing a collection, accounting, and auditing system to accurately collect and account for Federal oil and gas royalties. The issues we found were exacerbated because ONRR did not consistently require payors to follow its established reporting process.

Correcting the identified deficiencies and enforcing established reporting and royalty payment processes would improve the internal controls surrounding royalty adjustment reporting. We did not test the payors' reported royalty data back to payors' underlying oil and gas sales data; therefore, we could not quantify the financial impact of these issues.

Adjustment Coding System Issues

We found that ONRR's adjustment coding system did not always accurately identify the reasons for adjustments to royalty revenues. Without the ability to identify the reasons for the adjustments, ONRR may not receive complete and accurate data from payors, which could in turn affect its ability to collect, account for, and verify natural resource and energy revenues. Specifically, we found that:

- ONRR could not differentiate between original reporting information and adjustments. This occurred because eCommerce does not have a field to identify original reporting.
- ONRR's coding system included an option that was effectively a generic adjustment code that did not provide a rationale for the change. Most adjustment submissions used this code (ARC 10).
- Payors used incorrect ARCs when reporting adjustments. For example, some payors used ARCs intended for geothermal leases when submitting adjustments for Federal oil and gas, and some payors used non-compliance ARCs for compliance-initiated adjustments.

- ONRR could not identify adjustments made due to volume comparison activities because these adjustments use the same ARC as general adjustments (ARC 10).

These issues occurred, in part, because ONRR did not evaluate the effectiveness of its adjustment coding system. Further, ONRR does not assess the accuracy of ARCs on all reported adjustments, but does so when reviewing compliance-related adjustments. In addition, even though the *Handbook* also requires payors to provide an ARC for all adjustments, ONRR did not enforce this requirement. ONRR's inconsistent oversight and implementation of its adjustment coding system leaves it with limited assurance that payors are making accurate adjustments. Further, these issues make ONRR's ARC coding system flawed, resulting in information that is unreliable for decision making.

While ONRR has the validation protocol in place to help identify some errors in reporting, the adjustment coding issues leave ONRR without the ability to monitor reported royalty records and perform the appropriate risk analyses based on information from those adjustments. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* (*Green Book*) states that management should design control activities to address risks and use quality information to achieve objectives.[2]

Original Reporting Cannot Be Differentiated from Adjustments

We found that ONRR's adjustment coding system did not accurately differentiate between originally reported data or subsequent adjustments made to royalty revenues. This issue stems from the fact that ONRR's eCommerce system does not have a field to identify original reporting. As a result, when a payor submits original reporting, the ARC field is left blank because it is not an adjustment; however, eCommerce automatically defaults to ARC 0 when there is no entry in the ARC field. ONRR officials stated that royalty records identified with ARC 0 are typically original lines of reporting and adjustments are identified by using other ARCs outlined in its *Handbook*. The royalty reporting system does not, however, *require* input of a code when reporting an adjustment. The ONRR-2014 form includes an ARC field to be used when reporting an adjustment to a previous royalty reporting and the *Handbook* instructs payors to include an appropriate ARC in this field, but if a payor reporting an adjustment leaves the ARC field empty, the adjustment appears in the system as an as ARC 0. As noted above, ONRR informally identifies this code as original reporting.

When asked why payors would leave this field empty, an ONRR official did not respond directly but instead stated that ONRR could not require the payors to report the correct ARCs. However, 30 U.S.C. § 1713 and § 1751 give ONRR the authority to require Federal oil and gas companies to provide any information needed for ONRR to accurately determine and collect oil and gas royalties owed. In addition, 30 C.F.R. § 1210.54(c) and § 1210.56(b) instruct payors to refer to the *Handbook* for instruction and specific guidance on royalty reporting requirements.

[2] The *Green Book* addresses these topics in Principle 10, "Design Control Activities" and Principle 13, "Use Quality Information."

We found that 36 percent of the total Federal oil and gas royalty reporting during FYs 2017 through 2019 were coded as ARC 0. However, there could be instances where the payor left the ARC field empty, which caused the adjustment to default to ARC 0. We sampled a targeted selection of original lines of reporting and tested 10 records identified with ARC 0 and found that 4 records were adjustments where the ARC field had been left empty. While this was a small sample, it confirmed that there were records identified with ARC 0 that were not original lines of reporting. This affects ONRR's ability to monitor adjustments made to royalty reporting and perform risk analyses, as ONRR does not have a true understanding of the population of adjustments.

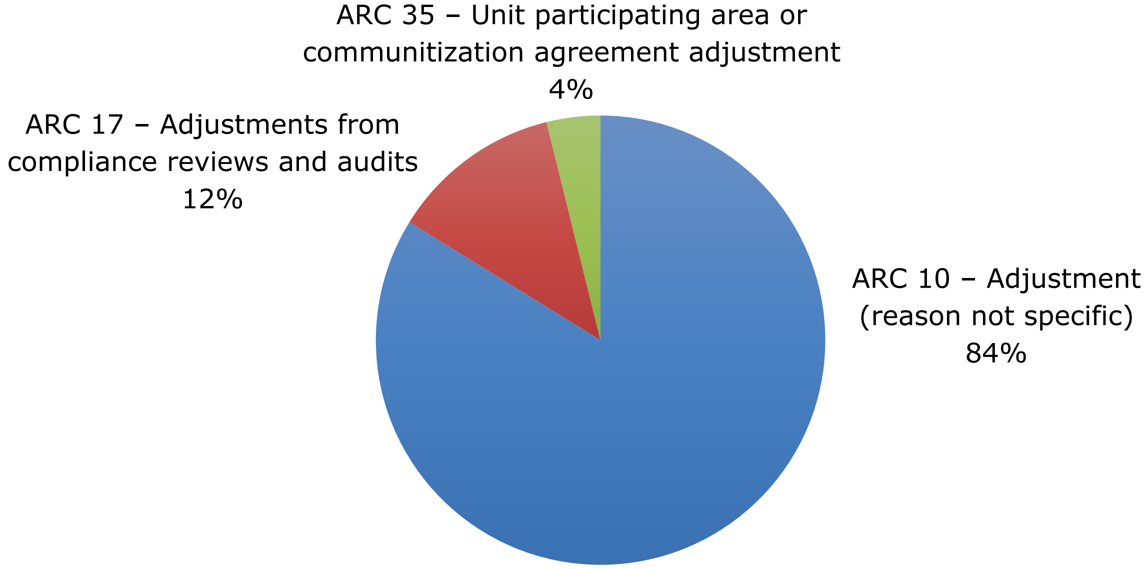
Recommendations
We recommend that ONRR: 1. Create a field within the royalty reporting system that identifies the reporting as original or an adjustment 2. Create a control in the royalty reporting system that requires an entry in the ARC field of the electronic ONRR-2014 form when reporting adjustments

Adjustment Reasons Were Not Specified

ONRR's adjustment coding system did not accurately capture the reasons for most known royalty adjustments.[3] Our review of the ARCs reported during FYs 2017 through 2019 found that for 84 percent of the known Federal oil and gas royalty adjustments, records identified with ARCs other than 0 were coded as ARC 10, Adjustments—a code that, as already described, does not explain the reason for the adjustment (see Figure 6).

[3] The adjustments are described as "known" because, due to adjustment coding weaknesses identified in this report, we cannot differentiate between original lines of reporting and adjustments.

Figure 6: Total Known Adjustments



Note: The other nine ARCs accounted for less than 1 percent of known adjustments.

The *Handbook* states that ARC 10 should be used to make an adjustment that is not specific to any of the other codes. If records do not include a specific reason for the adjustment, however, ONRR cannot accurately monitor adjusted records and analyze risks.

Recommendation
We recommend that ONRR: 3. Evaluate the use of ARC 10, Adjustments, to determine its effectiveness and create additional codes to capture accurate reasons for adjustments

Incorrect Adjustment Reason Codes Used

We identified inconsistencies in the ARCs selected by payors in Federal oil and gas royalty adjustment reporting. For instance, the *Handbook* states that ARCs 25, 26, and 31 should only be used when reporting on geothermal leases. However, we found that these ARCs were applied to 116 records of Federal oil and gas royalty reporting data for FYs 2017 through 2019. We notified ONRR of this deficiency and, in July 2020, ONRR requested a system change for an upfront edit that will not allow geothermal ARCs to be used on oil and gas leases.

We also found inconsistent application associated with the code used for ONRR's compliance reviews and audits. Several ONRR personnel reported that all adjustments made because of audit or compliance review should be completed on the Compliance 2014 form (CMP-2014 form) and coded to ARC 17, which is the primary ONRR-initiated compliance adjustment code. According to these individuals, auditors and analysts involved in these cases are responsible for ensuring the adjustments are accurate and properly coded. During the 3-year period reviewed, however, we identified more than 13,000 lines of CMP-2014 form reporting adjustments that were incorrectly used codes other than ARC 17. In December 2014, ONRR submitted a system change request (SCR) for an upfront edit to allow only approved compliance-related ARCs to be entered into a CMP-2014 form; however, this upfront edit has not yet been implemented. Although requests for upfront edits are prioritized during the SCR approval process, an ONRR official explained that this SCR is still in ONRR's listing of SCRs to be addressed. The SCR backlog has been a long-standing issue, as noted in our 2016 audit report.[4]

Recommendations
We recommend that ONRR: 4. Develop and implement a process to ensure reporting adjustments are correctly coded 5. Implement the December 2014 SCR to allow only approved compliance-related ARCs to be entered into the CMP-2014 form

Adjustments Made Due to Volume Comparison Activities Could Not Be Identified

ONRR's Volume Comparison group, organized under its Compliance Management program, focuses on examining reported data for common errors such as variances in the volume of extracted oil or gas. ONRR was unable to easily identify all adjustments made as a result of the Volume Comparison group's compliance activities through ARC designation. Personnel stated that the group reviews inconsistencies in the reporting and works with payors to correct any errors. During a review of the group's desk procedures, however, we learned that the group requested that payors use the general adjustment code, ARC 10. Since ARC 10 is a general adjustment code, using the same code for compliance adjustments makes it nearly impossible to identify adjustments made as a result of the Volume Comparison reviews and prevents ONRR from having a true understanding of the population of adjustments.

Recommendation
We recommend that ONRR: 6. Develop and implement an ARC that will distinguish adjustments made as a result of the Volume Comparison group's review

[4] Audit report, *Financial Management Division, Office of Natural Resources Revenue* (Report No. CR-IN-ONRR-0007-2014), dated June 3, 2016.

Risk Management Responsibilities

We found that the SAO did not consistently monitor or analyze risks in adjustments to royalty reporting.

Inconsistent Monitoring of Adjustments to Allowance Transactions

Payors may deduct transportation and processing allowances, up to a certain threshold, from the gross sales value of oil and gas.[5] These deductions reduce the payors' royalty obligations. We found that the SAO did not monitor or analyze risks to allowance adjustments to identify potential noncompliance. Instead, ONRR reviewed adjustments made to allowance transactions only when they were flagged by an upfront edit[6] or included in a compliance activity. This approach could potentially result in erroneous reporting and reduced revenue to the Federal Government.

An **allowance** is a deduction from royalties reported on ONRR-2014 form and can be made for processing or for transportation.

A **processing allowance** is a deduction from royalty value for the lessee's actual reasonable costs of processing a gas stream.

A **transportation allowance** is a deduction from royalty payments for reasonable actual costs of transportation production from the lease site to a sales point or processing point off of the lease site.

Statutory Threshold for Allowance Adjustments

The SAO staff stated that transportation and processing allowances were considered reasonable if they were under the statutory thresholds and, therefore, ONRR will not initiate any new compliance cases unless a referral is received. However, transportation and processing allowances could be overstated, thereby reduce royalties owed and incorrectly appear to fall under the statutory threshold.

At the time of our work, the SAO had yet to adopt formal techniques to identify potential excessive allowance claims. Although ONRR had an upfront edit in place to prevent a payor from exceeding the allowance thresholds, the allowances themselves were not routinely monitored for reasonableness. ONRR staff stated that they are conducting a series of audits to

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[5] Transportation allowances include the costs of moving unprocessed gas, residue gas, or gas plant product to a point of sale or delivery. This allowance can be taken for both oil and gas but cannot exceed 50 percent of the unprocessed gas or value of the oil. Processing allowances are specific to gas products and are the costs of processing gas to remove elements or compounds from the gas. The threshold for processing allowances is 66 2/3 percent of the value of the gas plant product.

[6] ONRR addresses potential errors in royalty reporting through an automated validation protocol and a process known as upfront edits. Upfront edits flag potential reporting errors in eCommerce and are manually created through a collaborative process between the RRM department and other components within ONRR. The automated validation protocol compares the royalty reporting to the upfront edits, which helps identify potential errors in the reporting. Then, RRM analysts review any reported data that triggered an error in the system.

review the accuracy of claimed allowances; however, these audits were not initiated as a result of SAO analyses and monitoring.

Allowance Transaction Codes

ONRR did not require payors to report the allowances consistently, further hindering its ability to monitor transportation and processing allowances and perform risk analyses. Prior to October 1, 2001, payors were required to report transportation allowances with transaction code 11, and processing allowances with transaction code 15.

A **transaction code** is a two-digit code included on the ONRR-2014 form that describes the reported transaction.

To simplify the online reporting after this change was made, ONRR also changed the method of reporting allowances. The *Handbook* states that ONRR “strongly prefers” that payors report transportation and processing allowances as part of the royalty transaction line. It also states that if companies choose to report a separate transportation or processing allowance line, they should follow the guidance for using the transaction codes 11 and 15. Through our analysis of the FY 2017 through 2019 data, we noted that allowances were reported inconsistently as a result of the conflicting guidance on transportation and processing allowance reporting. ONRR officials stated some companies did not adjust the way they reported the allowances because the companies reported it would be too costly for them to do so. Accordingly, notwithstanding the change in ONRR’s reporting requirements for allowances, it accepts transaction codes as an acceptable method of reporting allowances even though ONRR changed the preferred method for reporting allowances nearly 20 years ago. Although ONRR has expressed the opinion that it cannot mandate that the companies change their practices, we note that 30 U.S.C. § 1713 and § 1751 give ONRR the authority to require companies to report allowances consistently and to report information as needed.

Inconsistent analysis of allowance adjustments for risks and trends, along with inconsistent reporting of allowances, could potentially result in erroneous reporting and reduced revenue to the Federal Government.

Recommendations
We recommend that ONRR: 7. Develop and implement a risk-based approach to ensure the accuracy of transportation allowance and processing allowance adjustments 8. Develop and implement a policy requiring payors to report adjustments to allowances consistently

Obstacles to Monitoring and Analyzing Adjustments to Royalty Reporting

We found that ONRR's risk management tool, put in place to monitor and analyze adjustments to royalty reporting, was either ineffective or not in use. In addition, we found that the lack of communication between the SAO and ONRR's other components further hindered the SAO's ability to monitor and analyze royalty reporting adjustments. Lastly, the SAO also did not collaborate with other ONRR components on the appropriate risk analyses.

The SAO selects cases for compliance activity through referrals from other ONRR components and intermittent review of adjustment data. One SAO official explained that when an ONRR component refers a case to the SAO for a compliance activity, a risk management tool is used to determine if known reporting issues exist with the company being referred. However, SAO staff offered varying opinions on the functionality (and even existence) of the risk management tool. For example, one SAO staff member stated that the risk management tool was ineffective because it is not comprehensive and should instead use a predictive analytics method to pull from various systems and review data for specific characteristics. Others stated that the tool did not exist or had not been implemented. In addition, through discussions with ONRR personnel from other components, we identified inconsistent degrees of understanding on the SAO's specific responsibilities, including the compliance case selection process. For instance, personnel from ONRR's compliance activity components stated that they believed that the SAO used a risk model to select compliance cases, while another ONRR official reported that referrals go directly to Compliance Management or Audit Management to create a compliance case.

Adjustments that reduce prior royalty obligations can result in refunds paid to the oil and gas companies. For FYs 2017 through 2019, ONRR refunded $88.1 million to oil and gas companies (see Figure 7).

Figure 7: Amounts to be Refunded

Fiscal Year	Amounts Refunded ($)
2017	72,770,229
2018	10,348,995
2019	4,997,439
Total	**$88,116,663**

ONRR's Financial Services department processed refunds but did not monitor or review the underlying adjustments that created the refunds to ensure the accuracy of the reporting data. Figure 8 outlines the Financial Services refund process.

Figure 8: Financial Services Process Steps

Also, the SAO did not have access to ONRR's financial system, making it nearly impossible for SAO staff to analyze refunds without involving ONRR's Financial Services department. Through discussions with personnel, however, we learned that only limited collaboration occurs between the two departments and that the Financial Services department rarely referred refunds to the SAO. ONRR officials stated that in early 2020, the Financial Services department implemented a new referral process for refunds exceeding $100,000.

Principle 14 of the *Green Book* states that management should internally communicate the necessary quality information to achieve the entity's objectives. Inadequate communication of the SAO's overall responsibilities and the compliance case selection process prevented other ONRR components from fully collaborating with the SAO on areas of concern where a compliance activity would have been beneficial.

In addition, Principle 12 of the *Green Book* states that management should implement control activities through policies. We found the SAO did not have formal policies and procedures in place to detail its overall responsibilities or established guidelines for identifying risks associated with royalty reporting. ONRR officials stated that they were in the process of transitioning to a more comprehensive risk model and were adopting policies and procedures for the SAO that outlines its responsibilities. They identified the target date for completion as June 2021.

Without an effective risk management tool and policies and procedures to adequately describe the SAO's responsibilities, ONRR may not appropriately address the inherent risks with royalty reporting. This could result in erroneous reporting and adjustments and potentially reduce revenue for the Federal Government.

Recommendations
We recommend that ONRR: 9. Develop and implement a risk-based approach to ensure the accuracy of royalty adjustments 10. Develop and implement policies and procedures to identify and describe the SAO's comprehensive responsibilities 11. Develop and implement a strategy to initiate continuous collaboration and communication among all ONRR components involved with the royalty reporting process 12. Develop and implement a formal process for the Financial Services department to communicate refund data to the SAO, ensuring relevant information is considered during compliance case selection

Inability to Easily Identify Potential Reversals of Compliance-Initiated Adjustments

During FYs 2017 through 2019, ONRR recovered approximately $202 million due to compliance activities such as audits, compliance reviews, and volume comparisons (see Figure 9). We found, however, that ONRR did not have internal controls in place to prevent a payor or its agent from reversing a compliance-initiated adjustment on a royalty obligation.

Figure 9: Compliance Activity Recoveries

Compliance Activity	FY 2017 ($)	FY 2018 ($)	FY 2019 ($)	Total
Audits	32,740,412	13,722,018	20,003,031	66,465,461
Compliance Reviews	23,287,876	23,082,491	10,997,810	57,368,177
Volume Comparisons	33,185,067	25,260,318	19,597,131	78,042,516
Total	**$89,213,355**	**$62,064,827**	**$50,597,972**	**$201,876,154**

ONRR officials stated that the royalty reporting system did not flag adjustments made after a compliance-initiated adjustment on a royalty obligation. Employees also told us that consistent monitoring or analyses were not performed on these types of adjustments and stated that ONRR was unable to easily monitor reversals of compliance-initiated adjustments.

ONRR was unable to determine through a query if ONRR, the payor, or the payor's agent reversed a compliance-initiated adjustment on a royalty obligation without doing a line-by-line review. For FYs 2017 through 2019, adjustments from compliance reviews and audits coded with ARC 17 for ONRR-initiated compliance adjustment accounted for at least 12 percent of all adjustments made to Federal oil and gas royalty reporting (see Figure 6 on page 10). The percentage of adjustments from volume comparisons was unknown, as these were coded as ARC 10, Adjustments—a code that does not explain the reason for the adjustment and can also be used by the payor or its agent for noncompliance-related adjustments.

Principle 10 of the *Green Book* states that management should design control activities to achieve objectives and respond to risks. Because it has no method of identifying when payors are reversing compliance-initiated adjustments, ONRR is at risk that payors will make inaccurate adjustments that could reduce revenues owed to the Federal Government.

Recommendation
We recommend that ONRR: 13. Develop and implement a process to prevent modification of adjustments made as a result of compliance activities without approval from ONRR

Lack of Automated Processes for Applying Overpayments and Reporting Adjustments

We found that ONRR did not have automated processes in place to apply overpayments and reporting adjustments that reduced royalties owed. Instead, ONRR Financial Services staff manually applied overpayments to the applicable accounts on behalf of the payor. This creates undue burden on resources and leaves ONRR at risk for errors when applying credits that reduce royalty liabilities.

When a payor adjusted royalty obligations on an oil and gas lease, it often resulted in a credit on the lease account, which required ONRR staff to coordinate with the oil and gas companies to remove the credit on the account. During this process, ONRR staff did not analyze the adjustments that created the credit. The Financial Services staff expected the compliance departments, Audit Management or Compliance Management, to verify the accuracy of adjustments. In addition, the Financial Services staff did not refer any companies to the SAO, the department responsible for compliance case selection, as the number of corrections and changes in the accounting system made it difficult to identify questionable transactions. Instead, we found that ONRR staff simply removed the credit based on the direction of the payor alone.

During FYs 2017 through 2019, ONRR Financial Services staff performed approximately 14,000 manual transactions to clear credits on oil and gas companies' accounts (see Figure 10). Because ONRR does not track data at that level of detail, it was unable to provide the dollar value associated with manual transactions to remove credits on Federal oil and gas royalties.

Figure 10: Number of Manual Transactions

Fiscal Year	Number of Transactions
2017	5,137
2018	4,697
2019	4,197
Total	**14,031**

These credits from overpayments and reporting adjustments on oil and gas companies' accounts could be used towards payment of the next amount due on a Federal lease. For example, ONRR did not require payors to match their payments one for one to its royalties owed. Instead, a payor could submit three royalty reports in a month, while making only one payment that covers the royalties due for all three reports. The payor could apply the payment to only one report and the remaining amount to go on account resulting in a negative royalty due. This would require ONRR to perform manual entries to apply the credit to future liabilities.

We acknowledge that ONRR is attempting to take steps to address this specific weakness. In particular, ONRR officials stated that, in FY 2020, ONRR began a Business Process Reengineering and Modernization (BPRM) effort to increase the reliability, accuracy, and efficiency of its data processes and potentially increase mineral revenue collections. Currently, the Mineral Revenue Management Support System (MRMSS), is the primary system for collecting, accounting, and disbursing mineral revenue and ensuring accurate reporting and compliance for Federal leases. ONRR noted that the MRMSS relies on antiquated manual processes that put ONRR's core activities at risk of error from manual interventions. The goal of the BPRM was to improve the accuracy of revenue reporting between industry, ONRR, and revenue recipients including States, Tribes, and the U.S. Treasury. Without the BPRM, ONRR anticipates that it will continue using an outdated system and inefficient manual processes to meet its mission requirements.

ONRR foresees that the BPRM action items to improve the processes will result in reduced manual transactions for ONRR staff. First, data validation and verification standards will be more stringent and ONRR officials anticipate that this will lead to more accurate data on the front end of reporting. Second, with the more stringent standards on data accuracy, ONRR anticipates fewer inaccuracies in the payment matching process. Third, ONRR will implement a Self-Service Portal that will serve as an interface to ONRR's reporting and payment systems for internal and external users. An ONRR official stated that the Self-Service Portal will be required for payors; however, all the information that the portal collects from payors will be optional.

The BPRM process is expected to take 3 to 5 years to complete, and in FY 2020 alone ONRR requested $8.9 million in funding for this effort. Given the substantial resources and time that will be required, ONRR should require payors to fully comply with its processes in order to be successful with its goal of increased data reliability for revenue collections. ONRR has the authority to impose this requirement pursuant to 30 U.S.C. § 1751, which allows ONRR to prescribe regulations for oil and gas payors regarding the reporting and collection of Federal oil and gas royalties due.

The manual applications of negative balances—an internal control weaknesses within ONRR's accounting system—creates undue burden on resources and leaves ONRR at risk for errors when applying credits that reduce royalty liabilities.

Recommendation
We recommend that ONRR: 14. Develop and implement processes to reduce unnecessary manual transactions as the BPRM effort is being implemented

Conclusion and Recommendations

Conclusion

With billions of dollars collected annually, Federal oil and gas royalty revenue is one of the most significant nontax revenue generators for the Federal Government. ONRR must have strong internal controls to ensure that adjustments to royalty reporting, especially those that reduce royalties paid to the Federal Government, are accurate. While ONRR has implemented some internal controls, improvements are needed.

To strengthen its controls, ONRR must ensure that it has accurate information on the reasons for adjustments and that it can identify risks within adjustments to royalty reporting. In addition, ONRR must lessen the burden on its staff and lower the risk of errors in applying credits reducing royalty obligations by automating those financial processes.

We also encourage ONRR to exercise its authority under FOGRMA by requiring payors to adhere to ONRR's rules and regulations for royalty reporting and payments. Without strong controls in place to ensure the accuracy of adjustments to royalty reporting, ONRR is at risk of losing revenue owed to the Federal Government.

Recommendations Summary

We provided a draft of this report to ONRR for review. ONRR concurred with all 14 recommendations and will work to implement them. We consider Recommendations 1 – 14 resolved but not implemented. See Appendix 2 for the full text of ONRR's response. Appendix 3 lists the status of each recommendation.

Although ONRR's response stated that Recommendations 1, 3, 4, 13, and 14 will be implemented through its Business Process Reengineering and Modernization effort, the proposed timeframes to implement these recommendations are of concern to our office. The target implementation dates for these recommendations are, respectively, September 30, 2025; October 31, 2025; November 30, 2025; September 30, 2025; and October 31, 2025. That is, under the proposed timeframes, these five recommendations would not be addressed for nearly 4 years. We note that these recommendations address some of the most significant issues identified in this report; for example, Recommendation 13 addresses the fact that, currently, adjustments can be modified without approval from ONRR. ONRR should revise its target implementation dates for those recommendations and provide the revised dates to the Office of Policy, Management and Budget. If the revised dates are more than 1 year from today, ONRR should establish mitigating measures until the recommendations are fully implemented.

We recommend that ONRR:

1. Create a field within the royalty reporting system that identifies the reporting as original or an adjustment

2. Create a control in the royalty reporting system that requires an entry in the ARC field of the electronic ONRR-2014 form when reporting adjustments

3. Evaluate the use of ARC 10, Adjustments, to determine its effectiveness and create additional codes to capture accurate reasons for adjustments

4. Develop and implement a process to ensure reporting adjustments are correctly coded

5. Implement the December 2014 SCR to allow only approved compliance-related ARCs to be entered into the CMP-2014 form

6. Develop and implement an ARC that will distinguish adjustments made as a result of the Volume Comparison group's review

7. Develop and implement a risk-based approach to ensure the accuracy of transportation allowance and processing allowance adjustments

8. Develop and implement a policy requiring payors to report adjustments to allowances consistently

9. Develop and implement a risk-based approach to ensure the accuracy of royalty adjustments

10. Develop and implement policies and procedures to identify and describe the SAO's comprehensive responsibilities

11. Develop and implement a strategy to initiate continuous collaboration and communication among all ONRR components involved with the royalty reporting process

12. Develop and implement a formal process for the Financial Services department to communicate refund data to the SAO, ensuring relevant information is considered during compliance case selection

13. Develop and implement a process to prevent modification of adjustments made as a result of compliance activities without approval from ONRR

14. Develop and implement processes to reduce unnecessary manual transactions as the BPRM effort is being implemented

Appendix 1: Scope and Methodology

Scope

Our objective was to determine if the Office of Natural Resources Revenue (ONRR) had processes in place to ensure accurate reporting of Federal oil and gas royalty obligations when payors or their agents submitted adjustments. Therefore, we did not evaluate whether the payors' reported data was accurate or validate the payors' supporting records. The scope of our audit included fiscal years (FYs) 2017 through 2019.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We obtained, analyzed, and tested electronic Report of Sales and Royalty and Remittance form (ONRR-2014 form) data. We assessed the reliability of the data by (1) performing testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing ONRR officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

We judgmentally selected a sample based on assessed risk factors to perform probe testing within the electronic ONRR-2014 form data. Our sample selections were not generated using statistical sampling, and therefore we did not project the results of our tests to the total population of transactions.

We interviewed 41 staff from the components involved with royalty reporting and adjustments and reviewed available functional procedures. We contacted the following offices within ONRR:

- Reference and Reporting Management
- Compliance Management
- Audit Management
- Financial Management, including:
    - Financial Services
    - Accounting Services

- Information and Data Management
- Infrastructure and Digital Services
- Coordination, Enforcement, Valuation, and Appeals, including:
    - Office of Enforcement
    - Royalty Valuation
    - Strategy and Analytics Office (SAO)

We reviewed internal control documentation and processes and interviewed the staff responsible for testing these controls.

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

- Management should design control activities to achieve objectives and respond to risks.
- Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.

We also determined that ONRR's monitoring activities and the following related principles were significant to the audit objective:

- Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
- Management should remediate identified internal control deficiencies on a timely basis.

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

- Interviewing ONRR employees
- Reviewing policies and procedures
- Analyzing and testing FYs 2017 through 2019 ONRR-2014 form and Compliance 2014 form data

We found deficiencies in internal control resulting in our three findings related to adjustment coding system, the SAO, and the manual application of the credits process.

Prior Audit Coverage

In May 2019, the U.S. Government Accountability Office (GAO) issued *Additional Actions Could Improve ONRR's Ability to Assess Its Royalty Collection Efforts* (Report No. GAO-19-410) in which it examined ONRR's Federal oil and gas royalty compliance efforts. The GAO made two recommendations related to ONRR's compliance policies and procedures and risk management tool that were similar to two of our recommendations on the SAO's risk management. The GAO recommendations were:

1. ONRR should develop a documented case selection process that includes procedures for how to select all compliance cases.

2. ONRR should analyze whether the risk model is effectively identifying potential royalty noncompliance, whether the model's results are being effectively used to assist in case selection, and use this analysis to make changes to the model or develop a new model.

While these recommendations are similar to ours, our recommendation on the policies and procedures is broader, to include all of the SAO's responsibilities, and our recommendation on the risk management tool specifically identifies a risk-based approach to ensure the accuracy of adjustments.

Appendix 2: Response to Draft Report

The Office of Natural Resources Revenue’s response to our draft report follows on page 27.

United States Department of the Interior

OFFICE OF NATURAL RESOURCES REVENUE
P.O. Box 25165
Denver, Colorado 80225-0165

Sep 13, 2021

Memorandum

To: Mark Lee Greenblatt
Inspector General

From: Kimbra Davis
Director KIMBRA DAVIS Digitally signed by KIMBRA DAVIS Date: 2021 09 13 16:38:31 -06'00'

Subject: Response to the Office of Inspector General's Draft Audit Report – Better Internal Controls Could Ensure Accuracy of the Office of Natural Resources Revenue's Royalty Reporting and Adjustment, Report No. 2020-CR-009

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft audit report of the Office of Natural Resources Revenue's (ONRR) Federal oil and gas royalty adjustment process. The OIG found that, overall, ONRR established some internal controls and processes to ensure accurate royalty reporting for adjustments, however, improvements are needed to strengthen these controls.

We generally agree with the contents of the report and appreciate the insight and recommendations to improve the efficiency of our Federal oil and gas royalty reporting adjustment process. We are providing a summary of the actions ONRR has taken and plans to take, along with target dates and the responsible official for each of the 14 recommendations addressed in OIG's report.

ONRR is committed to continuous improvement and welcomes outside reviews to confirm our efforts in making improvements to our business processes. In its report, OIG acknowledged that ONRR began a Business Process Reengineering and Modernization effort to increase the reliability, accuracy, and efficiency of its data processes and potentially increase mineral revenue collections.

ONRR is currently engaged in a modernization project, which is a multi-year, multi-phased effort to explore, identify, develop, and implement new technologies that enhance ONRR's ability to perform revenue collection and distribution, disbursement, production and royalty reporting, verification and compliance, and workload management of applicable cases. Modernization is consistent with ONRR's commitment to continuous improvement. Several of OIG's recommendations will be implemented as part of ONRR's modernization project.

If you have any questions about this response, please contact Gwenna Zacchini, ONRR's Audit Liaison Officer, at [redacted] or Stephen Rovira at [redacted].

Attachment

Agency Response to the Office of Inspector General's Draft Report, Better Internal Controls Could Ensure Accuracy of the Office of Natural Resources Revenue's Royalty Reporting and Adjustments, Report No. 2020-CR-009

Recommendation 1: *Create a field within the royalty reporting system that identifies the reporting as original or an adjustment.*

ONRR Response: Concur.
As part of ONRR's ongoing modernization efforts, ONRR will capture business requirements pertaining to the data intake business process of the Form ONRR-2014. ONRR will utilize these business requirements for system design and implementation within ONRR's modernized systems to ensure identifiable differences between original and adjusted royalty lines.
Target Date: September 30, 2025
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 2: *Create a control in the royalty reporting system that requires an entry in the ARC field of the electronic ONRR-2014 form when reporting adjustments.*

ONRR Response: Concur.
ONRR created SCR 4113 to address the adjustment reason code not properly working within the eCommerce reporting system. ONRR will prioritize this system change request for implementation in accordance with budgetary availability.
Target Date: July 31, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 3: *Evaluate the use of ARC 10, Adjustments, to determine its effectiveness and create additional codes to capture accurate reasons for adjustments.*

ONRR Response: Concur.
As part of ONRR's ongoing modernization efforts, ONRR will capture business requirements pertaining to the data intake process and the subsequent data validation process of the Form ONRR-2014. ONRR will utilize these business requirements for system design and implementation within ONRR's modernized systems to ensure the accurate collection of data identifying reasons for industry-submitted adjustments on the Form ONRR-2014.
Target Date: October 31, 2025
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 4: *Develop and implement a process to ensure reporting adjustments are correctly coded.*

ONRR Response: Concur.
As part of ONRR's ongoing modernization efforts, ONRR has developed a "To-Be State, Data Validation Process." ONRR will develop business requirements for the data validation of the Form ONRR-2014 for system design and implementation within ONRR's modernized systems.

These actions will ensure the accurate use of data elements that reflect the industry-submitted adjustments on the Form ONRR-2014.
Target Date: November 30, 2025
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 5: *Implement the December 2014 SCR to allow only approved compliance-related ARCs to be entered into the CMP-2014 form.*

ONRR Response: Concur.
ONRR migrated SCR 2113, the December 2014 SCR, into production on March 19, 2021 to allow industry to enter only compliance-related Adjustment Reason Codes (ARCs) into the CMP-2014.
Target Date: January 31, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 6: *Develop and implement an ARC that will distinguish adjustments made as a result of the Volume Comparison group's review.*

ONRR Response: Concur.
ONRR will follow the System Change Request process to create an Adjustment Reason Code for Volume Comparison/Data Mining reviews. Once available, ONRR will adjust its internal policies and procedures and provide communication to all companies on implementation.
Target Date: September 30, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 7: *Develop and implement a risk-based approach to ensure the accuracy of transportation allowance and processing allowance adjustments.*

ONRR Response: Concur.
ONRR is working on the design of independent risk pools for both transportation and processing allowance monitoring. ONRR has also integrated an adjustment monitoring process on a recurring and regular basis into the Strategy and Analytics Office's (SAO's) A-123 processes as of June 2021. ONRR will re-evaluate if additional updates to SAO's A-123 processes are needed.
Target Date: June 30, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 8: *Develop and implement a policy requiring payors to report adjustments to allowances consistently.*

ONRR Response: Concur.
ONRR migrated SCR 3968 into production on August 8, 2021, eliminating the use of Transaction Codes 11 and 15 on original Form ONRR-2014 lines. As a result of this system change and in concurrence with this recommendation, ONRR will amend its current policy and implement these changes within the Reporter Handbook. ONRR will reinforce the updated policy during ONRR's Reporter Training sessions.

Target Date: October 31, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 9: *Develop and implement a risk-based approach to ensure the accuracy of royalty adjustments.*

ONRR Response: Concur.
ONRR is working on the design of independent risk pools for adjustment monitoring. ONRR has also integrated an adjustment monitoring process and rules for updating data sets on a recurring and regular basis into SAO's A-123 processes as of June 2021. ONRR will re-evaluate if additional updates to SAO's A-123 processes are needed.
Target Date: July 31, 2023
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 10: *Develop and implement policies and procedures to identify and describe the SAO's comprehensive responsibilities.*

ONRR Response: Concur.
ONRR has recently documented the processes for all compliance case assignments, is actively working on the design of risk pools to be used to help identify compliance cases, and has put new systems in place to help with tracking case assignments. This effort resulted in an update of SAO's A-123 processes in June 2021. ONRR will continue to revise and update its processes as risk pools are further developed and incorporate changes into daily processes.
Target Date: December 31, 2021
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 11: *Develop and implement a strategy to initiate continuous collaboration and communication among all ONRR components involved with the royalty reporting process.*

ONRR Response: Concur.
In September of 2020, ONRR conducted a Compliance Summit which concluded with eight recommendations to improve and enhance ONRR's royalty reporting, compliance, and audit activities. Two of these recommendations established a Compliance Strategy Governance Board that votes on proposed compliance strategies supported by a Compliance Strategy Partnership made up of representatives from across ONRR's functional areas. ONRR will continue its collaboration and communication between all functional areas in ONRR involved with the royalty reporting process with monthly open meetings and a comprehensive employee communications plan.
Target Date: January 31, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 12: *Develop and implement a formal process for the Financial Services department to communicate refund data to the SAO, ensuring relevant information is considered during compliance case selection.*

ONRR Response: Concur.

ONRR will expand their existing formal process for the Financial Services department to communicate adjustment-related refund data to the SAO. Currently, Financial Services refers refunds for royalty reports that exceed $100,000 to SAO. ONRR will be exploring lower thresholds in order to capture the majority of refunds and to ensure more consistency with our audit program thresholds.
Target Date: August 30, 2022
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 13: *Develop and implement a process to prevent modification of adjustments made as a result of compliance activities without approval from ONRR.*

ONRR Response: Concur.
As part of ONRR's ongoing modernization efforts, ONRR has captured business requirements pertaining to the data intake of the Form ONRR-2014 process and the address compliance finding process. ONRR will utilize these business requirements for system design and implementation within ONRR's modernized systems to prevent modification of adjustments made because of compliance activities without prior approval from ONRR.
Target Date: September 30, 2025
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Recommendation 14: *Develop and implement processes to reduce unnecessary manual transactions as the BPRM effort is being implemented.*

ONRR Response: Concur.
As part of ONRR's ongoing modernization efforts, ONRR has approved the business process recommendation to leverage automation. As such, ONRR is developing business requirements and implementing the approved recommendation to leverage automation within its system design and build for all ONRR processes and associated systems.
Target Date: October 31, 2025
Responsible Official: Kimbra Davis, Director, Office of Natural Resources Revenue

Appendix 3: Status of Recommendations

Recommendation	Status	Action Required
2, 5 – 12	Resolved but not implemented	We will refer the recommendations not implemented to the Assistant Secretary for Policy, Management and Budget (PMB) to track implementation.
1, 3, 4, 13, and 14	Resolved but not implemented	ONRR should revise its target implementation dates for these recommendations and provide the revised dates to the PMB. We will refer these recommendations to the Assistant Secretary for the PMB to track implementation.

Report Fraud, Waste, and Mismanagement

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