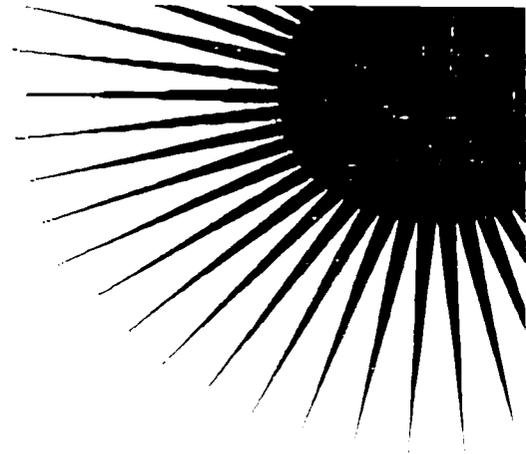


Project On Government Oversight

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January 8, 2008

Mr. Daniel Riemer, Chair
Royalty Policy Committee
Department of the Interior
Denver, CO 80225-0165

VIA FACSIMILE

Dear Chairman Riemer:

The Project On Government Oversight (POGO) would like to commend the Royalty Policy Committee's (RPC) Subcommittee on Royalty Management for its efforts to provide a comprehensive analysis of the Department of Interior's mineral revenue programs and recommendations for improvement. However, we remain concerned that the report, released December 17, 2007, may have been unduly influenced by department officials and that it failed to adequately address critical issues.

The Subcommittee on Royalty Management was designed to be an "independent, bipartisan panel" as indicated in the DOI press release announcing its findings. Yet section 3 of the report's "Executive Summary" states, "The Subcommittee secured staff assistance from DOI's Office of Policy Analysis (a staff office within the Office of the Secretary) and from the Bureau of Land Management [BLM]." POGO has also learned from a source familiar with DOI operations that the report was, at least in part, drafted by an official in DOI's policy office. Similarly, in a December 18, 2007 press release, Representative Maurice Hinchey (D-NY) expressed concerns about the BLM's involvement with the report.

With respect to the subcommittee's recommendations, POGO believes that those related to the Compliance and Asset Management (CAM) program will be insufficient to correct systemic problems. First and foremost, as noted in the DOI Inspector General's December 2006 report, the new data collection systems utilized by the Minerals Management Service (MMS) continue to suffer from critical limitations, inconsistencies, and inaccuracies. MMS statistical data used to assess CAM effectiveness has been unable to distinguish collection sources and has included incomplete reviews, inaccurate review costs, duplications, and collections from False Claims Act lawsuits.

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While the subcommittee's recommendations to combine multiple databases and information systems may improve processing time and eliminate redundancies, data inaccuracies and software limitations would potentially remain. MMS has struggled to upgrade its electronic data systems over the past eight years through a \$100 million contract with Accenture and renewed the contract last year for up to 10 more years. Nevertheless, as evidenced by Inspector General and RPC subcommittee criticisms, the agency has yet to implement a reliable system. The IG went so far as to brand it a "profound failure" last year. POGO thus holds little faith in the agency or Accenture's ability to achieve the subcommittee's ambitious proposals for an automated electronic reporting and compliance system. Before such a policy objective is pursued, MMS should receive independent certification that its system is accurate, reliable, and effective.

In addition to data collection, several other systemic issues adversely affect the compliance program's performance. Long-term data compiled by DOI's Office of Policy, Management and Budget point to dramatic decreases in MMS staffing levels despite consistent budget increases. MMS data also indicates a decreasing number of audits and reviews performed over the past six years. Meanwhile, total leases and receipts have roughly doubled over the past 15 years. Former auditors and MMS whistleblowers have also pointed to an increase in under-qualified auditors and agency resistance to collection efforts (see DOI OIG report released September 2007). If these trends continue, compliance coverage will continue to decrease.

POGO supports the subcommittee's recommendations to implement a system-wide, risk-based compliance strategy, consistent compliance review procedures, an audit and compliance tracking system, and MMS review of compliance staffing and budgetary requirements. However, we urge the RPC to further recommend that Congress create a separate and independent agency exclusively tasked with reviewing and auditing royalty payments. This would diminish agency priority conflicts by separating the compliance function from leasing and other MMS missions. POGO also recommends a minimum number of annual audits, strict auditor certification requirements, and adherence to official Government Auditing Standards for compliance reviews.

The Department of Interior's public land leases provide access to vital natural resources and result in royalties that benefit federal programs. Consequently, it is especially important to taxpayers that an effective steward oversee these programs. POGO appreciates the Royalty Policy Committee's active role in providing necessary oversight and welcomes any requests for further input.

Sincerely,



Danielle Brian
Executive Director

cc: DOI Assistant Secretary Stephen Allred
MMS Director Randall Luthi
BLM Director Jim Caswell