



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Minerals Revenue Management
P.O. Box 25165
Denver, Colorado 80225-0165
www.mrm.mms.gov

SEP 17 2007

Memorandum

To: Director

Through: Lucy Querques Denett *Lucy Querques Denett*
Associate Director for Minerals Revenue Management

From: Theresa Walsh Bayani *Theresa Walsh Bayani*
Program Director for Compliance and Asset Management

Subject: Quarterly Executive Report Regarding the Overall Status of the
"Action Plan to Strengthen Minerals Management Service Compliance
Program Operations"

In December 2006 the Department of the Interior's Office of the Inspector General (OIG) issued a final audit report titled "Minerals Management Service's Compliance Review Process." The report represents the culmination of an audit that the OIG performed of Minerals Management Service's (MMS) compliance review process. The objectives of the audit were to determine (1) whether compliance reviews are an effective part of the Compliance and Asset Management's (CAM) operation, and (2) whether MMS is effectively managing the compliance review process.

The OIG concluded in its audit that compliance reviews can serve as a useful role as part of MMS's CAM program operations. The OIG further reported that compliance reviews are a legitimate tool for evaluating the reasonableness of company-reported royalties and allow a broader coverage of royalties while requiring fewer resources than audits. While the OIG report concluded that compliance reviews are an effective part of MMS's CAM program operations, it made recommendations to strengthen policies and procedures to improve automated tracking and verification systems.

In response to the OIG audit of compliance reviews, CAM developed a comprehensive Action Plan with detailed steps, targeted completion dates, and a designated MMS management official with implementation responsibility. The Action Plan requires extensive oversight and frequent implementation status reporting by MMS CAM managers and senior executives.

TAKE PRIDE
IN AMERICA 

Action V-A-2 of the Action Plan requires that CAM provide a quarterly executive report regarding the overall status of the Action Plan implementation to the Minerals Revenue Management senior management and the Director, MMS. The Attachment provides the overall status of the Action Plan and illustrates that all actions are on schedule and in “green light” status through August 24, 2007. In addition, CAM completed the following action items either ahead of or by the targeted completion date:

- Action IV-B-2, Restoring MMS access to the Automated Fluid Minerals Support System.
- Action IV-C-1, Removing the compliance index measure.
- Action IV-B-6, Completing an Alternative Internal Control Review of the compliance review process to ensure adherence to quality control procedures.

In addition, CAM is actively working on establishing and implementing a risk –based pilot project to further develop and implement risk-based compliance strategies. The CAM has identified its property groupings and many risk indicators and is in the process of testing the various risk factors and property groupings for viability in the pilot.

As stated above, MMS has completed 3 of the 23 improvement actions. The CAM has six more actions scheduled to be completed by September 2007. The remaining improvement actions are on track to be completed by February 2008 as targeted in the action plan.

If you have any questions, please contact me at (303) 231-3701.

Attachment

**Action Plan to Strengthen Minerals
Management Service Compliance Program
Operations**

**Management Report for XT
as of August 24, 2007**

MMS Compliance Action Plan Project Task Status																				
No.	Section	Status	2007												2008					
			D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
V-B MRM Executive Team Oversight																				
V-B-1	Present & discuss the Action Plan status reports at monthly meetings of the MRM Executive Team.		█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
V-B-2	MRM Executive Team will conduct a comprehensive assessment of the Action Plan Implementation in May 2007.							█												
V-B-3	MRM Executive Team will conduct a comprehensive assessment of the Action Plan Implementation in October 2007.													█						

MMS Compliance Action Plan Project -- Project Management Issues

As of August 24, 2007 8

Action Item #	Issues	Status	Comments/Resolution
	No Issues to Report		