



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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SEPTEMBER 19, 1979

The Honorable Henry M. Jackson
Chairman, Committee on Energy
and Natural Resources
United States Senate

SEU 1146-300

RELEASED

Dear Mr. Chairman:

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

Subject: Survey of Department of Energy data on gasoline overcharges by oil companies (EMD-79-108)

Your letter of April 4, 1979, asked us to conduct a preliminary investigation of the Department of Energy's audit reports to determine (1) whether its auditors have identified large numbers of oil companies who have illegally overcharged the public, (2) the kinds of firms involved and some indication of the magnitude of the overcharges, and (3) what enforcement action is being taken. You also asked that we submit the results of our preliminary investigation in a letter before any decision is made to expend more resources in a full investigation.

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Since the formation of the Department of Energy on October 1, 1977, the Economic Regulatory Administration has been responsible for ensuring that oil companies comply with the petroleum regulations. The Administration's Compliance Program is organized into two major components--the Office of Special Counsel for Compliance, which is responsible for auditing the 34 major refiners and the Office of Enforcement, which is responsible for auditing all other oil firms. Each of these components is responsible for determining whether their designated segment of the petroleum industry is complying with applicable pricing and allocation regulations, identifying violations, and initiating and executing whatever enforcement actions are necessary to remedy the violations.

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Since October 1, 1977, 109 civil violation notices have been issued against the 34 major refiners while 1,230 civil and criminal violations have been issued against all other firms. DOE officials told us that they have referred 53 criminal cases to the Justice Department. Some of the 53 cases are included in the 1,230; but the exact number was not readily available from DOE sources.

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Our survey showed that the 34 major refiners have been assessed overcharges totaling about \$4.9 billion. According to DOE officials, other oil firms have been assessed overcharges as follows: crude oil producers--\$70.0 million; crude oil resellers--\$154.9 million; small refiners--\$66.1 million; resellers (other)--\$28.5 million; and retailers (other)--\$11.2 million. Because some of the cases are in litigation and the courts will probably determine the final amount, the actual overcharges that will be returned to consumers is unknown. Some of the overcharges will be collected in the form of rollbacks in prices, refunds, bank adjustments, etc., and Administration officials have not followed up in all cases to determine if these actions have been taken.

To pursue your request in greater detail would involve a large expenditure of resources because of the difficulties in obtaining readily available information from Administration officials. However, we have recently completed work and have ongoing and planned work which we hope will be of benefit to you. On May 29, 1979, we issued to the Congress a report entitled, "Improvements Needed In The Enforcement Of Crude Oil Reseller Price Controls" (EMD-79-57). Some of the deficiencies discussed in the report included:

- Untimely referrals of criminal cases to the Justice Department.
- Inadequate resources being committed to individual audits to ensure their quality and completeness.
- Ineffective audits of crude oil resellers for compliance with the pricing regulations because key issues involving the interpretation and application of such regulations had not been resolved in an effective and timely manner.

The report recommended improvements in the Department of Energy's enforcement procedures and practices covering crude oil resellers' compliance with crude oil price controls. Furthermore, it addressed some of your concerns as they apply to crude oil resellers.

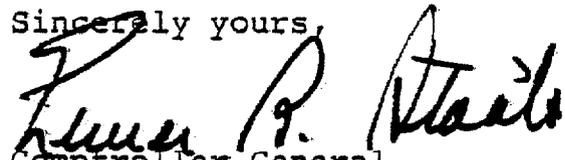
We recently initiated a review to determine (1) whether fraud exists in Department of Energy programs, and (2) to what extent there are weaknesses in the management and internal controls of such programs. This review will be conducted at the Economic Regulatory Administration headquarters

and at its regional offices, and is part of a broader commitment made in September 1978 ~~to~~ ^{the report will be issued} combat across-the-board fraud in Federal programs. ~~We expect to issue a report on this~~ review in early 1980. Also, in the near future we plan to undertake a comprehensive review of the enforcement of petroleum price regulations by the Departments of Energy and Justice. We will provide you with copies of the reports which result from these reviews.

We discussed this letter with DOE officials who agreed with its contents.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 30 days from the date of the letter. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,


Comptroller General
of the United States