

# GAO Highlights

Highlights of [GAO-19-410](#), a report to congressional requesters

## Why GAO Did This Study

Royalties paid on the sale of oil and gas extracted from leased federal lands and waters are a significant source of revenue for the federal government. However, Interior has faced challenges verifying the accuracy of royalty payments. In the 2000s, GAO issued reports highlighting weaknesses in Interior's royalty compliance program. In 2011, GAO added Interior's management of federal oil and gas resources to its High-Risk List, in part because its work showed Interior did not have assurance that it was collecting its share of revenue from oil and gas produced on federal leases. Interior has taken steps to operate more effectively.

GAO was asked to examine ONRR's federal oil and gas royalty compliance efforts. This report examines, among other objectives, the extent to which ONRR reported meeting its compliance goals for fiscal years 2010 through 2017, the most recent data available. GAO reviewed relevant laws, regulations, agency guidance, and Interior's annual performance plan and report and annual budget justifications for the period; analyzed ONRR compliance data for the period; and interviewed ONRR officials and state auditors who conducted work in coordination with ONRR.

## What GAO Recommends

GAO is making seven recommendations, including that ONRR establish an accuracy goal that addresses coverage that aligns with its mission. Interior concurred with GAO's recommendations.

View [GAO-19-410](#). For more information, contact Frank Rusco at (202) 512-3841 or [ruscof@gao.gov](mailto:ruscof@gao.gov).

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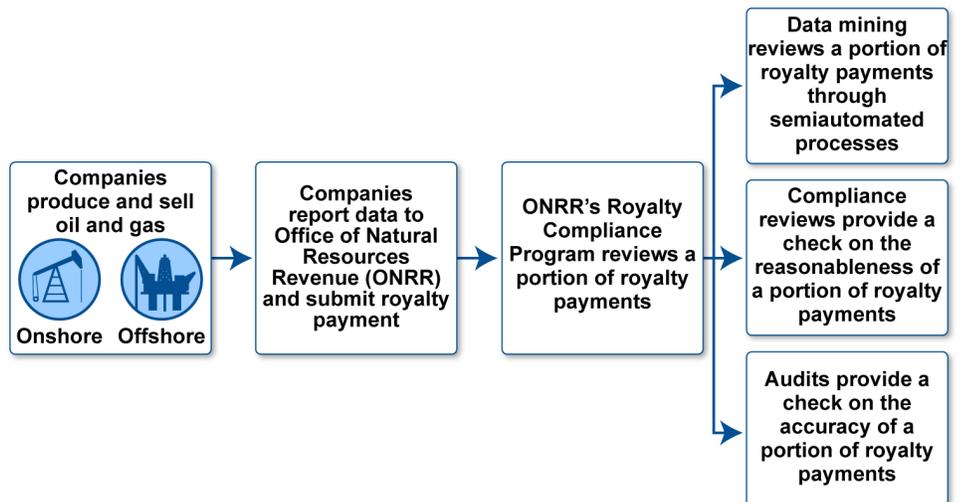
# FEDERAL OIL AND GAS ROYALTIES

## Additional Actions Could Improve ONRR's Ability to Assess Its Royalty Collection Efforts

### What GAO Found

The Department of the Interior's (Interior) Office of Natural Resources Revenue (ONRR) reported that it met its annual performance goals for its royalty compliance program in 6 of the 8 years from fiscal years 2010 through 2017. Under this program, ONRR conducts three levels of compliance activities—audits, compliance reviews, and data mining—to help ensure that oil and gas royalty payments submitted by companies that produce oil and gas from federal leases are accurate and comply with federal laws and regulations (see figure). Specifically, GAO's analysis of Interior's annual budget justifications for fiscal years 2010 through 2017 found that ONRR reported meeting its compliance goals for 6 of the 8 fiscal years. According to ONRR officials, ONRR did not report meeting its compliance goals for 2 years because of a shift in the agency's goals that created a short-term misalignment of planned work and available resources. ONRR's fiscal year 2017 goals for its compliance program were (1) to obtain a return of \$2 of additional royalties for every dollar spent on compliance activities and (2) to collect a defined amount of additional royalties. ONRR's compliance goals generally aligned with the agency's requirement that resources should not be expended without an expected return. However, these goals may not align with the agency's mission to collect, account for, and verify royalty payments and other statutory requirements because the goals do not address accuracy—or the extent to which its compliance work is covering, for example, royalty payments. By establishing a goal that addresses accuracy, for example, by covering a portion of royalty payments with its compliance activities, ONRR could increase the extent to which it had reasonable assurance that its compliance program is fully accounting for federal oil and gas royalty payments.

The Process for Producing, Selling, and Paying Royalties for Oil and Gas on Leased Federal Lands



Source: GAO analysis of Department of the Interior ONRR documents. | GAO-19-410