

**Royalty Policy Committee Report Recommendations**  
*Compliance and Asset Management*

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**Action Items**

Royalty Policy Committee Meeting  
September 18, 2008

# RPC Subcommittee Recommendations

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- Recommendations were organized into 7 general categories:
  - System Modifications
  - Reporting
  - Strategy
  - Process Modifications
  - Performance Measures
  - Regulatory Changes
  - Coordination with others

# RPC Subcommittee Recommendations

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## System Modifications

- **3-15** - Develop and Implement software to perform automated volume comparison and generate automated exceptions report.
- **4-4** - Evaluate relative benefits and costs associated with the compliance tools.
- **4-10** – Enhance the compliance tracking tool to include additional information.



# RPC Subcommittee Recommendations

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## System Modifications

- **4-14** - Automate data entry into consolidated compliance tracking tool.
- **4-17** - Develop consolidated compliance tracking tool.
- **4-18** - Integrate results of other compliance tools within the consolidated tracking tool and minimize manual data entry.



# RPC Subcommittee Recommendations

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## Reporting

- **3-16** - Reinstate periodic reporting of gas plant efficiency information consistent with audit schedules.

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## Strategy

- **4-1** - Establish a “Compliance Strategy Council” to:
  - Establish an overall compliance policy to determine which compliance reviews are mandatory and which are discretionary.
  - Establish a process where compliance initiatives identified by CAM staff can be reviewed and approved.
  - Establish performance measures to govern overall strategy and should be based on the “yield” to the government.
  - Identify a set of “filters” to assist in targeting compliance resources.
  
- **4-2** - Systematically review staffing and budgetary needs required to implement the August 2007 consultant’s report on compliance strategies. MMS should prepare a plan for tracking costs and benefits by audit/review type and by compliance office.

# RPC Subcommittee Recommendations

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## Strategy

- **4-3** - Systematically review the allocation of compliance resources across States and Tribes.
- **4-5** - Assess the use of more targeted audits/reviews that focus on high-risk issues, and determine the extent to which a more flexible approach to audits is feasible.
- **4-9** - Complete its risk-based compliance pilot project and develop a plan for implementing a risk-based compliance strategy on an MMS-wide basis.

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## Process Modification

- **3-17** - Establish a prioritized gas-plant compliance review or audit schedule to examine gas plant efficiency.
- **4-7** - Evaluate the extent to which additional flexibility with accounting standards and requirements might reduce costs without compromising the integrity of the compliance process
- **4-19** - Define and use consistent procedures for all compliance reviews.

# RPC Subcommittee Recommendations

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## Performance Measures

- **4-13** - Develop a new set of Government Performance and Results Act goals and measures based on the recently completed analysis of the benefits and costs of different compliance tools and the risk-based compliance process pilot.
- **4-15** - Evaluate the performance measures used by other entities. In particular, MMS should review the IRS “Balanced Measures” performance system. **(Complete)**

# RPC Subcommittee Recommendations

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## Regulatory Changes

- **4-24** - Finalize the “technical changes” Indian oil valuation rule. (Complete)
- **4-25** - Propose an Indian oil rule to change the methodology for valuing Indian oil from a posted price method to a market index methodology. (Complete)

# RPC Subcommittee Recommendations

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## Regulatory Changes

- **4-26** - Publish proposed revisions to the gas valuation regulations and guidelines to address the cost-bundling issue, and to facilitate the calculation of gas transportation and gas processing deductions.
- **4-27** - Review, and (as appropriate) revise and implement the regulations and guidance for calculating prices used in checking royalty compliance for solid minerals, with particular attention to non-arms-length transactions.

# RPC Subcommittee Recommendations

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## Coordination

- **4-11** - Inform the Government Accountability Office and the Office of the Inspector General on the progress of the risk pilot project and resultant proposals.
- **4-12** - Provide updates to the Royalty Policy Committee on the progress of the risk pilot and any resultant proposals, implementation of improvements, and impacts on the compliance program.
- **4-20** - Consult with the Office of the Inspector General on the draft procedures in the updated Compliance Review Manual.