United States Department of the Interior

MINERALS MANAGEMENT SERVICE
WASHINGTON, DC 20240

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Memorandum

To: All Royalty Management Program Employees

From: Associate Director for Royalty Management Lucy R Querques

Subject: Reengineering of the Royalty Management Program

Last year the Royalty Management Program (RMP) began a reengineering effort to improve the business processes in its compliance operations. Today, I am announcing my decision to expand the scope of the initiative to include RMP's financial and accounting operations. The principal objective of this Program-wide effort is to design, develop and implement new business processes and support systems for the 21st century.

The attached Charter, developed by the Quality Steering Committee, outlines the scope and objectives of the expanded initiative, and the stretch goals and parameters to guide our redesign team. Also included is a milestones chart that provides key timelines for the redesign, development and implementation of our new business processes and systems. The Program Reengineering Office, recently established within my immediate office, will be responsible for the overall management and coordination of this Program-wide initiative.

The strategy of reengineering our Program to do more with less must begin immediately. Continued Federal downsizing and growing expectations for better service at less cost has led me to conclude that maintaining the status quo, with improvements on the margin, is not an acceptable strategy for RMP's future. Furthermore, the Royalty Simplification and Fairness Act of 1996 has served to amplify the need for us to now pursue a strategy of significant change.

My vision of the redesigned RMP for the future is a radically different Program than we have today. I see a Program that is highly integrated; fully supported by state of the art technology; process centered; focused on outcomes; less costly; and viewed by both customers and competitors as the best. The initial compliance reengineering effort gave us our first view of the profound improvements that can be realized if we look beyond current assumptions and parameters. During the course of the Program-wide initiative, these and numerous other process improvements will be made operational on a continuing basis.

The Director and I see this Program-wide initiative as critical if we are to position RMP as the "best" provider of royalty management services. I want you to know that I have made Program-wide reengineering my highest priority. Together, we must find a way to redesign our business processes to ensure that our Program remains strong, its resources secure, and that we are well

prepared to meet tomorrow's challenges. I urge all managers, supervisors and employees to work together to support the initiative at each opportunity. With your continued help and support, I know we can do this.

Attachment

Charter for the
Reengineering of the Royalty Management Program
Minerals Management Service

Background

The Royalty Management Program (RMP) of the Minerals Management Service is responsible for ensuring that all revenues from Federal and Indian mineral leases are efficiently, effectively, and accurately collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner. These revenues amount to about $4.5 billion annually. In addition to a broad range of financial services, the RMP also operates a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid, and an audit program staffed by MMS, State and Tribal auditors.

In April 1996, the RMP undertook a compliance reengineering initiative to examine the current compliance strategy to determine the best approach for accomplishing the future goals and objectives of the compliance program. The principal objective of the effort was to define and implement a compliance strategy for the future that satisfied, in the most cost-effective manner possible, the compliance program's primary purpose of ensuring that Federal and Indian mineral lease revenues were accurately and timely paid to the MMS.

In August 1996, the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA), was enacted into law. This law amended the Federal Oil and Gas Royalty Management Act, the Outer Continental Shelf Lands Act, and the Mineral Leasing Act. In so doing, RSFA significantly changed many of the RMP's historical operating assumptions as well as some fundamental Federal oil and gas mineral revenue financial activities. Although near-term changes in processes and systems must be made to implement the law, it is clear to RMP managers that longer-term strategies, business processes and aging systems must be addressed for the Program to be cost-effective and responsive to customer needs. The decision was made April 1, 1997, to go beyond compliance reengineering and instead conduct an in-depth reengineering of all RMP core business processes.

Organization

The Program Reengineering Office has been established in the Office of the Associate Director for Royalty Management. The Office is responsible for the overall management and coordination of the Reengineering Initiative and reports to the Quality Steering Committee for general guidance and direction.

Ad hoc teams will be used to accomplish a variety of steps in the reengineering effort. The initial redesign work, including prototyping and testing, will be accomplished through a multi-disciplinary team of MMS and State and Tribal personnel, with technical contract assistance. Furthermore, ad hoc partnerships with customers and suppliers are anticipated to help define future business approaches and processes and to participate in prototyping and testing.

Lastly, ad hoc teams are anticipated to support transition and implementation work as the reengineering effort proceeds. Throughout the effort, RMP employees, and State and Tribal representatives, will be called upon to share their views and expertise.

Scope and Objectives

The principal objective of the Reengineering Initiative is to design, develop and implement new core business processes, with supporting systems, for the 21st century. Such systems and processes must be flexible and capable of meeting various customers' and suppliers' needs, including:

- Supporting the collection of royalties both in-cash and in-kind.
- Supporting delegated activities related to royalty administration.
- Permitting RMP to provide related financial services for other customers through franchising arrangements.
- Permitting the use of a variety of methodologies to value production.

The Reengineering Initiative will involve mapping of core business processes as they now exist; benchmarking with others to determine "best practices"; identifying customer needs and expectations; redesigning business processes for dramatic improvement; testing and prototyping new designs; and implementing the redesigned processes. As the effort proceeds, RMP will move quickly to implement improvements in its business processes. The Reengineering Initiative

will also provide resources to assist in the design, testing and implementation of the new RMP automated support systems.

Redesign Stretch Goals

In the development of the new business processes, the Redesign Team will be guided by the following Stretch Goals:

- Provide revenue recipients with access to their money within 24 hours of the due date.

- Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.

Parameters

The following parameters will guide the Redesign Team in their development work:

- Current laws will continue to apply.

- RMP regulations can be changed.

- Reporting requirements should be simplified.

- New work processes should cost less than the current equivalent mission costs.

Principal Work Products

- Process design documents for the future RMP.

- Organizational and resource allocation plans to support new business processes.

- Implementation and transition plans.

Milestones

- Initiate Program-wide Reengineering with full-time redesign team.	April 1997
- Complete preliminary design document and gain decision to proceed.	December 1997
- Complete prototyping and testing.	April 1998
- Complete final design documents and implementation plans.	June 1998
- Initiate design of new automated support systems.	September 1998
- Implement new systems and organizational structures.	September 2000

Communications Strategy

An important aspect of process reengineering is maintaining effective communications with all interested parties. A proactive communications strategy will be used to build consensus, obtain feedback and suggestions, and demonstrate progress toward goals. The strategy will target employees and individuals, companies, and organizations who have a vested interest in the royalty management process. The following types of communication vehicles will be used:

- All hands meetings with RMP employees.
- Scheduled briefings for the RMP Quality Steering Committee linked to specific milestones and decision points.
- Meetings with the Royalty Policy Committee, State and Tribal Royalty Audit Committee, Indian tribes and allottees, royalty payors, and industry trade groups.
- Electronic media such as Internet, Intranet, and Email bulletin boards.