

The NewsRoom

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MMS Unveils 2010 Audit Plan

Additional Auditors Added to Check Federal and American Indian Royalty Payments

DENVER – The Minerals Management Service (MMS) has finalized its 2010 audit plan to ensure that energy producers on Federal and American Indian lands are properly paying the royalties due to the Federal Government and American Indians. The 2010 audit plan reflects both an increase in staff and the number of audits planned.

“We will be adding 19 new auditors this year and continuing to target companies that have been identified as high risk,” said MMS Director Liz Birnbaum.

Birnbaum noted that another change is that “MMS auditors will also be taking a closer look at smaller energy producers that may not have been audited as frequently in the past.” The audits and other compliance activities performed by the MMS can range from limited scope review’s that examine one or more specific areas, to full-scale audits that review all aspects of a company’s reports and payments over several years.

“These audits and compliance checks serve dual purposes,” Birnbaum said. “They ensure that we collect the proper royalties due to the Federal Government and they also encourage companies to properly report their production the first time.”

All told, the MMS receives monthly royalty payments from approximately 2,000 energy companies and individuals covering nearly 30,000 producing leases. The agency uses specific criteria to identify high-risk companies and high-risk properties that are more likely to be in noncompliance. Properties may range from a single lease to a unit including numerous leases. During Fiscal Years 2008 and 2009, the MMS audited or reviewed more than 900 companies and more than 6,300 minerals-producing properties.

“Our goal for 2010 is to cover 86 percent of high-risk companies and 43 percent of high-risk mineral producing properties,” said Birnbaum. For a basic comparison, the Internal Revenue Service generally audits from 1 percent to 5 percent of individual income tax returns (based on income), and from 11 percent to 27 percent of large companies and corporations, depending upon company assets.

The MMS is responsible for collecting royalties from energy production that occurs on Federal and American Indian onshore lands, as well as offshore companies operating on the Outer Continental Shelf. Those receipts, including royalty payments, rents, and bonus bids, are then disbursed to various Federal, State, and American Indian accounts. Since 1982, the MMS has collected \$3.7 billion in additional royalties due to the agency’s compliance efforts.

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