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# Annual Performance Plan 2001
# Annual Performance Report 1999

## Minerals Management Service

DEPARTMENT OF THE INTERIOR

# Minerals Management Service

Annual Performance Plan FY 2001

Annual Performance Report FY 1999

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

I am pleased to present the Minerals Management Service (MMS) Consolidated Report. Its threefold purpose is to establish a performance plan for Fiscal Year (FY) 2001, revise its annual performance plan for FY 2000, and present performance results for FY 1999. This Report meets the requirements of the Government Performance and Results Act.

For almost 18 years, MMS has been a leader in revenue management, environmental responsibility, operational safety, and working closely with its stakeholders. This Report embodies our commitment to continue that leadership, build a better bureau, and fulfill our vision to be the best minerals resource manager.

It also offers us the first opportunity to document our performance results. The FY 1999 Annual Performance Report shows that last year MMS continued its record of excellence in offshore operations and mineral revenue collection, verification, and disbursement. Among the goals we met or exceeded were: achieving accident reduction targets for operators on the Outer Continental Shelf (OCS); keeping late disbursement interest costs reasonable; achieving compliance with expected values from our leases; and increasing tribal involvement by having American Indian tribes assume some aspects of royalty collection for their own accounts.

As stewards of the mineral resources on the OCS, the MMS Offshore Minerals Management Program (OMM) provides leadership through example in the areas of offshore safety, science, and environmental responsibility. The FY 2001 Annual Performance Plan presents annual targets for the mission goals that OMM established to carry out its legislative mandate. These mission goals provide for safe and environmentally sound OCS mineral development and fair market value for OCS mineral production.

The MMS Royalty Management Program (RMP), one of the government's greatest sources of non-tax revenues, moves forward with its reengineering initiative to design and implement advanced royalty management business processes and automated support systems. The FY 2001 Annual Performance Plan lists annual targets for the three RMP mission goals that will keep us on track to achieve a highly integrated, state-of-the-art, process-centered, and less costly royalty management program.

My vision is for MMS to be the best in minerals resource management; to continue our leadership in safe offshore operations and environmental responsibility; to continue improving royalty collection and increase the net benefit to taxpayers; and to continue working with our stakeholders to build consensus and balance national, regional, and local interests. The goals and measures contained within this Report and those in the MMS Strategic Plan for FY 2000-2005 position us to build upon our successes and achieve that vision.

Walt Rosenbusch
Director

# Minerals Management Service Quality Council

## FY 2001 Annual Performance Plan
## FY 1999 Annual Performance Report

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# Executive Summary

THE MINERALS MANAGEMENT SERVICE (MMS) IS COMMITTED TO MEASURING ITS PERFORMANCE AND MANAGING FOR RESULTS. THIS REPORT, PREPARED TO MEET THE REQUIREMENTS OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA), REFLECTS THE CHANGES AND LESSONS LEARNED IN IMPLEMENTATION OF PERFORMANCE PLANNING AND MEASUREMENT SINCE SUBMITTAL OF MMS'S FIRST STRATEGIC PLAN IN 1997 AND FIRST ANNUAL PERFORMANCE PLAN IN EARLY 1998.

These initial attempts at setting performance targets were the departure point for the MMS to begin its performance management journey. This Consolidated Report presents a picture of where we are today in that journey. While we have made significant progress, we recognize that our continued diligence will be needed to improve and make each iteration of our planning process more useful in the management of the agency.

In 1999, MMS continued to be a high-performing agency, providing high-quality, timely services to its customers and good value to the American people. We exceeded our targets for accident reduction for operators on the Outer Continental Shelf, reductions in the rate of decline for oil and gas reserves-to-production ratios, keeping late disbursement interest costs reasonable, and achieving compliance with expected values from leases. Also, we met other goals including increasing Tribal involvement by having Tribes assume some aspects of royalty collection for their own accounts. Other goals were not met due to a variety of reasons including the introduction of external factors such as the tremendous variation in the prices of oil and gas, and changes to policy based on stakeholder input.

We have taken our experience gained over the last three years in managing and measuring program performance and incorporated the knowledge and lessons learned from others. We listened to Congress, the Office of Management and Budget, the Government Accounting Office, our customers and stakeholders, and made significant changes that improved the focus of the plans. This document demonstrates and reflects what we have learned, the progress we have made, and the difficult issues ahead in measuring performance at the Minerals Management Service. These include:

First, in response to comments from the Office of Management and Budget, the Congress, and the Government Accounting Office, we have focused on fewer, more vital outcome goals and measures in our GPRA plans.

- We removed those goals that, through use and measurement, we learned were beyond our span of control and for which we did not have significant direct influence. For example, the Offshore Minerals Management Program determined that production goals are not appropriate due to the indirect role

MMS plays, compared to market factors, in determining activity and production. Instead, our goals need to focus on developing the mineral resources in a safe and environmentally sound manner and getting fair market value for those resources. We recognize the need to monitor this information, but production targets are not something the bureau can reasonably be held accountable for.

- We developed Royalty Management goals that will demonstrate progress toward the re-engineered program versus the old way of doing business. The new Royalty Management Program goals focus on improving the timeliness of access to funds, compliance with lease terms, and fulfilling our mineral revenue trust responsibilities to American Indians.

- We added a goal to measure customer satisfaction. Our goal is to interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.

Second, we've learned that if assumptions change, targets need to be revised. For instance, the 1999 Annual Performance Plan contained a goal to increase the percentage of production reports received electronically to 95 percent. We based the original targets on an anticipated proposed rule that would have required electronic reporting on all forms for virtually everyone. However, as a result of stakeholder comments, we revised the final rule to exclude production reporting on some forms. At that point we revised our targets internally. We didn't meet our GPRA goal, but we did the right thing for the right reason.

Third, we've found that developing the right goals and measures is truly an iterative process. For example, as we began to gather and report performance data for the accident index, we recognized shortcomings and are developing a better index that will be more comprehensive and will better reflect MMS's efforts to improve operator performance.

Fourth, we've found that developing goals and measures for some programs is extremely difficult. Our leasing program and our ability to get fair market value for the American people is one such area. Because we believe that our measure may be too narrowly focused, we are evaluating our approach and exploring the development of a more comprehensive performance measure. We expect to complete our assessments and create the new performance measure in 2001. We will continue to report our performance based on existing measures in the transition years.

And, finally, we have encountered limitations in the availability of reliable data needed to measure our outcomes. Measuring success in protecting the health of the environment continues to be a challenge for many agencies. We have encountered limitations in the data we have been using for performance measurement and are in the process of developing revised and improved indicators. We are making progress and are optimistic that we will have good, reliable data in the future.

In conclusion, while we are proud of the progress and accomplishment of the Minerals Management Service, we recognize that managing for results is hard work and will take time and practice before we become expert. We continue to be committed to fulfilling our mission, finding better ways to measure our progress, and providing good, high-quality performance information to the Congress and the public.

# About This Document

THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) REQUIRES AGENCIES TO SUBMIT ANNUAL PERFORMANCE PLANS TO CONGRESS WITH THEIR FISCAL YEAR BUDGET REQUESTS AND TO PREPARE ANNUAL PERFORMANCE REPORTS AT THE END OF EACH FISCAL YEAR (FY) TO REPORT ON HOW WELL THEY MET THEIR GOALS. THE FY 1999 ANNUAL PERFORMANCE PLAN WAS THE MINERALS MANAGEMENT SERVICE'S (MMS) FIRST OFFICIAL PLAN SUBMITTED TO CONGRESS, AND THE FY 1999 ANNUAL PERFORMANCE REPORT IS MMS'S FIRST OPPORTUNITY TO REPORT ON OUR ACCOMPLISHMENTS.

Rather than prepare a separate FY 1999 Annual Performance Report (Report), MMS has combined the FY 1999 Report with the FY 2001 Annual Performance Plan (Plan). The MMS has followed Departmental guidance in developing this consolidated report. In this consolidated report, we present an overview of what we have accomplished in FY 1999; what we plan to accomplish in the current fiscal year, FY 2000; and what we propose to accomplish in FY 2001 with the budget resources we are requesting.

THE MMS CONSOLIDATED GPRA REPORT IS DIVIDED INTO THREE SECTIONS AND TWO APPENDICES:

**Section I** — *Introduction and Overview* introduces MMS and states its mission and vision. It also addresses the linkages to Departmental goals, MMS's strategic plan, and the budget.

**Section II** — *GPRA Program Activities and Goals* includes MMS's FY 2001 Annual Performance Plan and discussions of FY 1999 performance. This section also includes budget information and discussions of MMS's methods to verify and validate data used to measure performance.

**Section III** — *Additional GPRA Information* contains discussions about several GPRA issues related to MMS's planning efforts.

**Appendix 1** — *FY 1999 Annual Performance Report At-a-Glance Table* is a summary of FY 1999 performance information.

**Appendix 2** — *FY 2000 Annual Performance Plan At-a-Glance Table* and revised final *FY 2000 Budget Table* presents MMS's updated FY 2000 annual performance goals.

*The MMS provides for safe and environmentally sound development on the Outer Continental Shelf.*

# Section I

## *Introduction and Overview*

### 1.1 INTRODUCTION

The Minerals Management Service manages the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore federal mineral leases and from onshore mineral leases on federal and Indian lands.

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) created a framework to improve management of federal and Indian mineral royalties. The Secretary of the Interior established MMS in 1982 following the Independent Commission on Fiscal Accountability's recommendation that proper fiscal accountability and management of the public's mineral resources would be best served by a bureau devoted solely to minerals management. The MMS was also designated the responsible administrative bureau to attend to the Secretary's obligations under the Outer Continental Shelf Lands Act of 1953, as amended (OCSLA).

The MMS is a relatively small bureau, with approximately 1,800 employees in 20 cities across the United States. It consists of two specialized operating programs: the Royalty Management Program (RMP) and the Offshore Minerals Management (OMM) Program. The Directorate of Policy and Management Improvement, the Directorate of Administration and Budget, and the Offices of Congressional and Public Affairs support both programs.

The activities of MMS provide major economic and energy benefits to taxpayers, states, and the American Indian community — benefits that have both national and local importance. The OCS significantly contributes to our national energy supply, providing more than 27 percent of the natural gas (135 trillion cubic feet since 1953) and 20 percent of the oil (12 billion barrels since 1953) produced in the United States.

The MMS Offshore Minerals Management Program administers more than 8,000 active leases on 42 million acres of the OCS. While development of offshore mineral resources has already meant billions of dollars in revenues to the United States, MMS is especially mindful of safety and environmental concerns — striving to achieve the proper balance between providing a domestic energy source and protecting sensitive coastal and marine environments.

Since 1982, the MMS Royalty Management Program has disbursed nearly $103 billion to federal, state, and Indian accounts; more than $64 billion to the U.S. Treasury and approximately $24 billion to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund. In addition, approximately $11 billion was disbursed to 38 states and $2.8 billion to the Department's Office of Trust Funds Management (OTFM) on behalf of 41 Indian tribes and 20,000 individual Indian allottees.

### 1.2 MISSION AND VISION

**MISSION**

**To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from federal and Indian lands.**

**VISION**

**To be recognized as the best minerals resource manager.**

## 1.3 LINKAGE TO BUREAU STRATEGIC PLAN AND DEPARTMENTAL GOALS

The Department of the Interior (DOI) has five broad goals that provide a framework for the numerous and diverse responsibilities of its bureaus. They are:

- Protect the environment and preserve our nation's natural and cultural resources
- Provide recreation for America
- Manage natural resources for a healthy environment and a strong economy
- Provide science for a changing world
- Meet our trust responsibilities to Indian tribes and our commitments to island communities

The breadth of MMS activities needed to effectively fulfill the MMS mission generally support all DOI goals. For example, our "Rigs to Reef" program provides recreational opportunities for sport-fishing enthusiasts; the mineral revenues generated by the OCS and collected by the RMP provide funds for land acquisition programs through the Land and Water Conservation Fund; and we provide exemplary science for resource management decisionmaking through our environmental and technology research programs. This research is made widely available and is used by coastal states and other agencies.

Our mandated mission and long-term goals contribute most directly to DOI's call to "manage natural resources for a healthy environment and a strong economy" and to "meet our trust responsibilities to Indian tribes and our commitment to island communities." This relationship is depicted in the following table.

### RELATIONSHIP BETWEEN DEPARTMENTAL GOALS AND MMS GOALS

| Departmental Goals | MMS Mission Goals | MMS Long-Term Goals |
|---|---|---|
| *Manage Natural Resources for a Healthy Environment and a Strong Economy* | Ensure safe OCS mineral development. | **Safety** — see page 13 |
| | Ensure environmentally sound OCS mineral development. | **Environment** — see page 17 |
| | Ensure that the public receives fair market value for OCS mineral development. | **Fair Market Value** — see page 20 |
| | Provide revenue recipients with access to their money within 24 hours of the due date. | **Access to Money** — see page 25 |
| | Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date. | **Royalty Compliance** — see pages 29 & 32 |
| | Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs. | **Customer Service** — see page 38 |
| *Meet Our Trust Responsibilities to Indian Tribes and our Commitments to Island Communities* | Fulfill our mineral revenue Indian trust responsibilities. | **Mineral Revenue Indian Trust Responsibilities** — see page 35 |
| | Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs. | **Customer Service** — see page 38 |

This FY 2001 Annual Performance Plan links directly to the MMS Strategic Plan through mission and long-term performance goals, and by delineating the annual performance targets MMS managers have set in order to attain the long-term goals. The MMS Strategic Plan presents our mission and vision statements and guiding principles. It sets out our mission goals and their related long-term performance goals, which focus on outcomes. It also contains discussions about the strategies we intend to follow to achieve our long-term goals.

The target levels of performance in these bureauwide goals were developed by experts at various levels throughout the organization. Senior officials identified and prioritized the results that need to be attained during FY 2001 in order to achieve the longer-term strategic goals. Technical and program experts identified the resources and specific actions needed to achieve those results. Resource allocations and work plans for each organizational unit will be tied to this plan.

## 1.4 LINKAGE TO THE BUDGET

In accordance with the Office of Management and Budget's (OMB) Circular A-11, section 220.8, the budget figures presented in this document are at the mission goal level.[1] The budget figures for the mission goals were determined by evaluating the contributions of the various parts of the organization toward each of the goals. The entire costs for the organization, including general and administrative costs, were allocated in this manner and then were totaled. The total for all the

## *At-a-Glance View of FY 2001 Annual Performance Plan*

| GPRA Mission Goal | Long-Term Goal | FY 2001 Annual Goal |
|---|---|---|
| Ensure safe OCS mineral development. | Maintain or show a decrease in the average annual index of .594. | By the beginning of FY 2001 we will evaluate our new accident index and strive to improve our safety record by showing a decrease in the average accident index from the FY 2000 baseline. |
| Ensure environmentally sound OCS mineral development. | By 2005, show a decrease in the environmental impact index from the 2000 baseline. | By the end of FY 2001, we will evaluate our new environmental impact index, refine the index for use in FY 2002, and demonstrate program performance by reporting on preliminary compilation of the index and showing a decrease in the amount of oil spilled to no more than 5.05 barrels spilled per million barrels produced. |
| Ensure that the public receives fair market value for OCS mineral development. | From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1. | By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1. |

[1] OMB Circular A-11 requires that each program activity in an agency's Program and Financing Schedule (P&F) be covered by a performance goal or indicator. An agency may choose to substitute a "GPRA program activities structure," which is developed by "consolidating, aggregating, or disaggregating the program activities included in the P&F schedules." For MMS, our mission goals equate to the GPRA program activities.

mission goals accounts for and matches the total appropriation for the Minerals Management Service.

## 1.5 ADJUSTMENTS TO STRATEGIC PLAN

The FY 2001 Annual Performance Plan, which is part of this Consolidated Report, is based on the MMS's revised *Strategic Plan for FY 2000-2005*, published in March 2000.

We have revised our previously published FY 2000 Annual Performance Plan (see Appendix 2) so that our FY 2000 annual goals also are aligned with the mission and long-term goals in our revised Strategic Plan.

The FY 1999 Annual Performance Report is based on the previous Strategic Plan (FY 1997-2002, published in September 1997), and on the previously published FY 1999 Annual Performance Plan.

No adjustments have been made to the Strategic Plan published in March 2000 through this Consolidated Report.

## 1.6 MINERALS MANAGEMENT SERVICE GOALS AT-A-GLANCE

The MMS's FY 2001 goals are presented below.

| Comments |
|---|
| During FY 2000 we will evaluate the new accident index and establish a baseline. We then will establish a target for FY 2001 that will reflect improvement. |
| For FY 2000 and FY 2001 the preliminary compilation of the environmental index and the amount of oil spilled per million barrels of oil produced will be used to demonstrate success in decreasing environmental impacts. |
| We are considering adding more factors to this goal to give a better indication of our performance with respect to all economic factors related to leasing. In FY 2000 and FY 2001, we will be using our current methodology. |

## *At-a-Glance View of FY 2001 Annual Performance Plan* *continued*

| GPRA Mission Goal | Long-Term Goal | FY 2001 Annual Goal |
|---|---|---|
| Provide revenue recipients with access to their money within 24 hours of the due date. | By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received. | By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received. |
| Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date. | By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties. | By the end of FY 2001, ensure payments are at least 90 percent of expected value at the due date for 35 percent of properties. |
| | By the end of FY 2005, issue 95 percent of necessary orders and demands within three years of the due date. | By the end of FY 2001, complete 95 percent of random audits for 1999 converted properties. |
| Fulfill our mineral revenue Indian trust responsibilities. | By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and dual accounting for the time period 1984-2005. | By the end of FY 2001, ensure 70 percent of Indian gas producing properties are in compliance with major portion and 47 percent are in compliance with dual accounting for the time period 1984-2001. |
| | By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005. | By the end of FY 2001, ensure 25 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2001. |
| Interact with our customers in an open and constructive manner to ensure that we provide quality services to satisfy our customers' needs. | By 2005, show an increase in customer satisfaction with our data and information services. | In FY 2001, we will increase the customer satisfaction index over the FY 2000 baseline. |

**Comments**

FY 2000 and 2001 will be transition years while new reengineered systems are being developed. Therefore, during FY 2000 and 2001, we will measure only the disbursement portion of this long-term goal.

By the end of FY 2001, our goal is to have converted most production into the new reengineered compliance processes, and to achieve compliance (payments within 90 percent of the expected value at the due date) on 35 percent of the properties we've converted.

Once new systems are implemented in October 2001, the new process will use automated tools to discover significant instances of potential non-compliance by testing companies' reported information against expected values for volume, royalty rate, value, and allowances.

In setting the targets for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. The FY 2001 annual targets ensure that we continue to progress incrementally toward achieving our 2005 goal.

In setting the target for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. The FY 2001 annual target ensures that we continue to progress incrementally toward achieving our 2005 goal.

This is a new goal for FY 2001. We plan to gather baseline data for OMM in FY 2000 using surveys approved by the Office of Management and Budget.

# GPRA Program Activities and Goals

### 2.1 OFFSHORE MINERALS MANAGEMENT PROGRAM

The OMM's overall mission is to provide for safe and environmentally sound mineral development on the OCS and ensure that the public receives fair market value.

This mission is the direct result of the Outer Continental Shelf Lands Act of 1953, which provides for the expeditious and orderly development of minerals on the OCS in an environmentally sound manner. The OCSLA established a mandate for managing natural resources on the OCS. The primary facets of this mandate are to: 1) make OCS lands available for mineral development to meet national needs; 2) ensure that any mineral development occurs in a safe and environmentally sound manner; and 3) ensure that the public receives fair market value for making these mineral resources available. MMS has developed the following goals to accomplish its mission to carry out the OCSLA mandate.

### 2.1.1 MISSION GOAL OMM-1: ENSURE SAFE OCS MINERAL DEVELOPMENT.

**Description:** The MMS administers several programs to protect life, property, the environment, and OCS resources. These programs include:

1) performance standards and regulations for safe and pollution-free operations;
2) inspection and enforcement to ensure industry complies with standards and regulations;
3) civil and criminal penalties to emphasize compliance;
4) the Safety and Environmental Management Program (SEMP), which instills a safety attitude in the industry that goes beyond mere compliance;
5) industry training and certification in well control and production safety systems; and
6) technology assessment and research to promote the "best available and safest technology."

**Proposed Legislation:** None proposed for FY 2001.

**BUDGET TABLE**

Offshore Minerals Management – Mission Goal 2.1.1

| Budget Activity/Subactivity ($000) | FY 1999 Enacted | | FY 2000 Enacted | | FY 2001 Request | |
|---|---|---|---|---|---|---|
| | Total | Mission Goal 2.1.1 | Total | Mission Goal 2.1.1 | Total | Mission Goal 2.1.1 |
| Leasing & Environmental | 41,441 | 175 | 41,870 | 174 | 42,953 | 175 |
| Resource Evaluation | 26,414 | 1,261 | 26,717 | 1,255 | 28,002 | 912 |
| Regulatory | 47,040 | 39,664 | 49,249 | 41,762 | 50,754 | 43,212 |
| Information Management | 16,634 | 6,133 | 16,925 | 6,260 | 17,369 | 6,425 |
| Oil Spill Research | 7,172 | 4,634 | 7,138 | 4,612 | 7,191 | 4,646 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.*

# GOAL: SAFETY

**Mission Goal OMM-1 –** *Ensure safe OCS mineral development.*

**Long-Term Goal OMM-1A –** *Maintain or show a decrease in the average accident index of .594.*

**FY 2001 Annual Performance Goal –** *By the beginning of FY 2001 we will evaluate our new accident index and strive to improve our safety record by showing a decreasein the average accident index from the FY 2000 baseline.*

**Performance Measure –** *Ratio of the number of incidents x severity factor to the number of activities x complexity/risk factor.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| .606 | .583 | .594 | .578 | .594 | Decrease from the FY 2000 Baseline |

**Goal Description:** Our long-term goal is to maintain or decrease the average accident index. We are in the process of reevaluating the components of this goal to develop a new accident index that will be based on our operator performance review process. We anticipate that the revised index will be available for use in FY 2001. The new index will be more comprehensive, and will better reflect MMS's efforts to improve operator performance by including, among other things, the results of our inspections, portions of the formula we use to rank operator performance, and accident information.

## FY 2001 GOAL

During FY 2000 we will evaluate the new accident index and establish a baseline. We then will establish a target for FY 2001 that will reflect improvement.

## STRATEGIES AND RESOURCES

**Continue oversight activities:** MMS needs to continue to use a comprehensive regulatory program to oversee OCS activities. We foster compliance through a consistent inspection and enforcement program and an active civil and criminal penalties program.

**Forge partnerships:** The MMS will continue to partner with operators and encourage industry participation in the voluntary safety and environmental management program and will move toward developing a flexible performance-based training regulation. In addition, MMS must continue to help create and adopt appropriate international standards. For example, we currently assist the American Petroleum Institute and the International Standards Organization in developing international standards acceptable for incorporation into OCS regulations. Having an active MMS research program addresses the use of technology to meet the goal of maintaining or decreasing the average accident index. At this time, we do not anticipate any increase in resources to meet the goal.

## FY 1999 ANNUAL PERFORMANCE REPORT

**Goal:** In FY 1999, achieve an accident index no greater than 0.594.

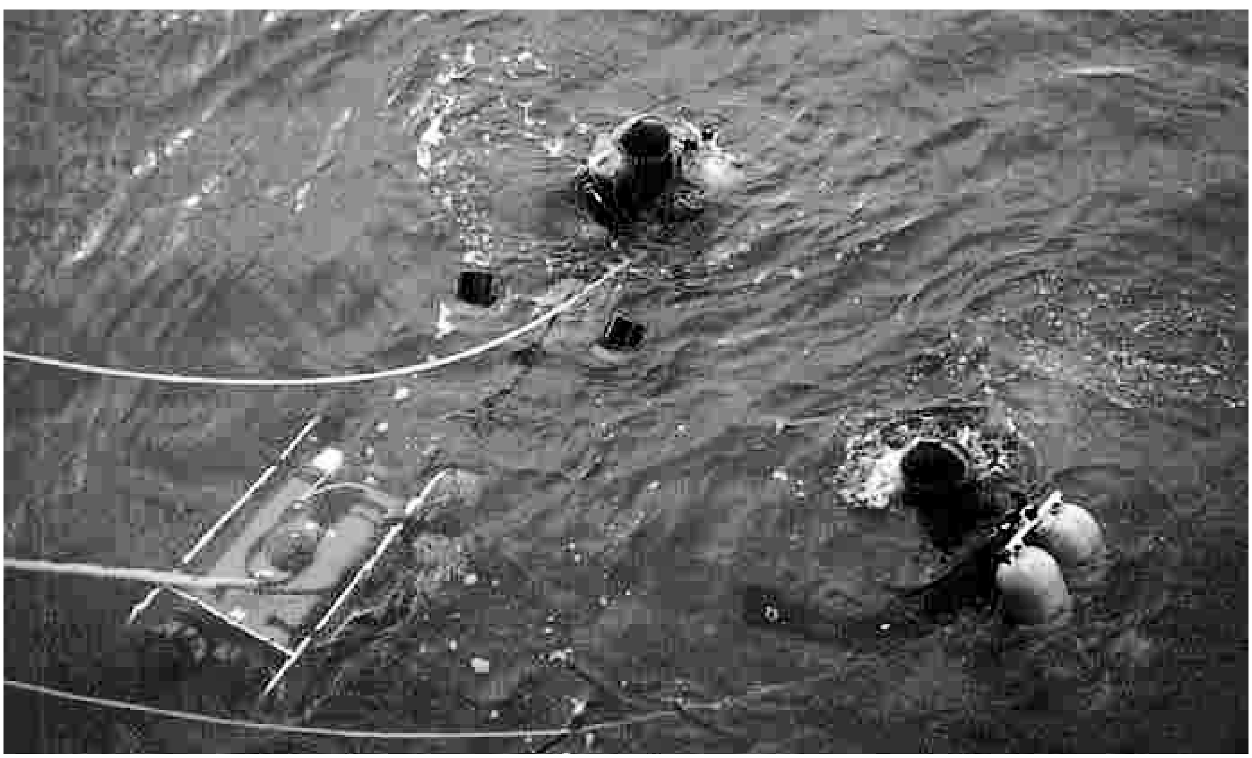
**Report:** We exceeded our goal by achieving an accident index of .578 for FY 1999. MMS has made a concerted effort in the past several years to improve safety on the OCS by building partnerships and increasing communications. We have worked to raise industry's safety consciousness by encouraging SEMP and other safety programs. We also use various methods, including on-site inspections, to enforce compliance with our regulations.

In addition, we perform annual company performance reviews and assign each a performance index. We talk with each company about their performance and what may have impacted it, spending more time with those that perform poorly. We reward those that perform well with safety awards and Corporate Citizen Awards.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | Information and data are reported by industry, the Coast Guard, MMS inspectors, and other authorities. The filed report data are entered into the MMS Technical Information Management System (TIMS). |
| Validation | Information is validated through on-site inspections, interviews, and discussions with reporting officials. Information from other federal reporting agencies may be presumed to be accurate due to their position as office of record. |

*Divers preparing to deploy a Tethered Remotely Operated Vehicle, used for deep sea sampling.*



## 2.1.2 MISSION GOAL OMM-2: ENSURE ENVIRONMENTALLY SOUND OCS MINERAL DEVELOPMENT.

**Description:** Activities associated with the extraction of OCS minerals can potentially impact environmental resources, habitats, and the human environment. These effects can be low level and chronic in nature, accumulating over time, or be sudden high-impact events with localized outcomes. The MMS ensures environmentally sound development of OCS minerals through a combination of plan and project reviews for compliance with numerous environmental laws, monitoring and follow-up, mitigation, regulations, and research.

**Proposed Legislation:** None proposed for FY 2001.

### BUDGET TABLE

**Offshore Minerals Management – Mission Goal 2.1.2**

| Budget Activity/Subactivity ($000) | FY 1999 Enacted | | FY 2000 Enacted | | FY 2001 Request | |
|---|---|---|---|---|---|---|
| | Total | Mission Goal 2.1.2 | Total | Mission Goal 2.1.2 | Total | Mission Goal 2.1.2 |
| Leasing & Environmental | 41,441 | 41,267 | 41,870 | 41,696 | 42,953 | 42,778 |
| Resource Evaluation | 26,414 | 2,095 | 26,717 | 2,085 | 28,002 | 1,748 |
| Regulatory | 47,040 | 5,660 | 49,249 | 5,778 | 50,754 | 5,822 |
| Information Management | 16,634 | 3,584 | 16,925 | 3,650 | 17,369 | 3,745 |
| Oil Spill Research | 7,172 | 2,538 | 7,138 | 2,526 | 7,191 | 2,545 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.*

*Seals off the coast of California. The OMM strives to ensure environmentally sound OCS activity.*

## GOAL: ENVIRONMENT

**Mission Goal OMM-2 –** *Ensure environmentally sound OCS mineral development.*

**Long-Term Goal OMM-2A –** *By 2005, show a decrease in the environmental impact index from the 2000 baseline.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001, we will evaluate our new environmental impact index, refine the index for use in FY 2002, and demonstrate program performance by reporting on preliminary compilation of the index and showing a decrease in the amount of oil spilled to no more than 5.05 barrels spilled per million barrels produced.*

**Performance Measure –** *Ratio of the number of adverse environmental impact incidents observed during the review of a specified number of mineral development activities.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | 10.45 | 9.45 - 9.95 | N/A (Annual)[1] | 9.45 | 9.45 |

**Performance Measure –** *Barrels of oil spilled per million barrels produced.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | 4.70 | 5.07 | 17.5 | 5.06 | 5.05 |

*Note–These goals were not established until FY 1999, and we do not have sufficient data to calculate performance for FY 1997.

**Goal Description:** The OMM program strives to ensure environmentally sound OCS activity by fostering compliance through inspections and enforcement; protecting seafloor resources and air and water quality; and protecting threatened and endangered species. Developing performance measures continues to be a challenge. The MMS is researching and working to develop an environmental index that will calculate the number of adverse environmental impacts to seafloor resources, protected biological resources, air, and water.

We have recognized limitations in the data we have been using for performance measurement and are in the process of developing revised and improved indicators to create the index for this goal. Once completed with a supportable baseline, this environmental index will be a good measure of performance in achieving environmentally sound OCS mineral development. Because of our progress to date, we are optimistic that we will have enough trend data to establish a baseline and set a target performance level in FY 2002. We will also evaluate our performance to determine how annual targets for the years 2001 to 2005 will help us meet our long-term goal of showing a decrease in the environmental index from the FY 2000 baseline.

[1] This is a calendar year annual goal. The result cannot be calculated until March 2000. However, we have no reason to believe we will not achieve our annual target.

## FY 2001 GOAL

For FY 2000 and FY 2001, the preliminary compilation of the environmental index and the amount of oil spilled per million barrels of oil produced will be used to demonstrate success in decreasing environmental impacts. Once the environmental index is established and reliable, the oil spill measure will be reflected in the broader environmental index.

## STRATEGIES AND RESOURCES

**Monitor activities:** Each OCS Region collects data on the number of actions in the planning areas from individuals on the environmental staffs to develop the environmental impact rate. These include the number of post-construction reports submitted for projects in protected biological areas (such as the Pinnacle Trend in the Gulf of Mexico); air quality inspections carried out; platforms or complexes at which water quality samples are taken; platforms removed using explosive devices; and incidents of adverse environmental impacts observed during inspections of a specified sample of activities. The incidents are recorded by resource, such as air quality and seafloor. Each resource is then assigned a number that represents the number of incidents observed during the inspections. The ratios for all of the resources are factored together to determine the environmental index.

In the Gulf of Mexico, remote sensing devices and scuba divers have been used to spot-check compliance with mitigating measures in the Pinnacle Trend. This is not done on a regular basis as it relies on the availability of ship time, and on skilled manpower that is currently not budgeted for compliance inspections.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | Information and data are reported by industry, the Environmental Protection Agency, MMS, and others. |
| Validation | The OMM will develop and document validation procedures in conjunction with the development of the index methodology. |

## FY 1999 ANNUAL PERFORMANCE REPORT

**Goal:** In FY 1999 show a decrease of .5-1.0 in the number of environmental impacts per OCS mineral development activity below the 1998 baseline level of 10.45.

**Report:** This is a calendar year annual goal. We cannot calculate the result until March 2000. We have no reason to believe we will not achieve our annual target.

**Goal:** In FY 1999, show a decrease in the amount of oil spilled to a level of 5.07 barrels spilled per million barrels produced.

**Report:** The level of oil spilled in FY 1999 was 17.5 barrels per million produced. The largest pipeline spill since FY 1992 occurred late in FY 1998, but was not reported until early FY 1999. This one spill caused the high spill result for the year.

The FY 1999 result actually could be as high as 24.0 because of a July 23, 1999, spill, the results of which are not yet known. The spill is under investigation, and we have not yet verified the volume. There is a lag time of six to12 months for gathering and verifying data before we can complete an investigation.

In the past, we have used the oil spill rate as a reportable measure of our performance. We have come to realize, however, that it by itself is not a good measure of environmental outcomes. Spills can be caused by events that are not within our span of control, such as a tanker dragging its anchor over a pipeline. We can do some things to try to mitigate spills and encourage caution, and therefore intend to include the oil spill rate as a factor in our new environmental index. Whether we report the rate separately, as we will be doing in FY 2000, or include it in the environmental index, we will continue to monitor it, analyze spills, and determine courses of action to address the problems that caused them.

## 2.1.3 MISSION GOAL OMM-3: ENSURE THAT THE PUBLIC RECEIVES FAIR MARKET VALUE FOR OCS MINERAL DEVELOPMENT.

**Description:** The OCS mineral leasing program generates revenue from bonus bids paid on tracts at lease offerings; annual payments on leases not in production; minimum royalties on producible leases that are not actively producing; shut-in gas payments on producible gas wells temporarily closed for mechanical, safety, or other problems; and royalties paid on sales of oil, condensate, natural gas, sulphur, and salt. Given the uncertainties of how much (if any) oil and gas exist under a lease, future oil and gas prices, and production costs, the estimate of a tract's value will vary considerably. To create better, more efficient estimates of monetary values, MMS acquires state-of-the-art seismic information, and reviews and revises bid adequacy procedures, the tract evaluation process, the auction format, and tract evaluation and economic models.

**Proposed Legislation:** None proposed for FY 2001.

### BUDGET TABLE

**Offshore Minerals Management – Mission Goal 2.1.3**

| Budget Activity/Subactivity ($000) | FY 1999 Enacted | | FY 2000 Enacted | | FY 2001 Request | |
|---|---|---|---|---|---|---|
| | Total | Mission Goal 2.1.3 | Total | Mission Goal 2.1.3 | Total | Mission Goal 2.1.3 |
| Leasing & Environmental | 41,441 | 0 | 41,870 | 0 | 42,953 | 0 |
| Resource Evaluation | 26,414 | 23,058 | 26,717 | 23,377 | 28,002 | 25,343 |
| Regulatory | 47,040 | 1,716 | 49,249 | 1,708 | 50,754 | 1,721 |
| Information Management | 16,634 | 6,917 | 16,925 | 7,014 | 17,369 | 7,199 |
| Oil Spill Research | 7,172 | 0 | 7,138 | 0 | 7,191 | 0 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.*

## GOAL: FAIR MARKET VALUE

**Mission Goal OMM-3 –** *Ensure that the public receives fair market value for OCS mineral development.*

**Long-Term Goal OMM-3A –** *From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.**

**Performance Measure –** *Ratio of the value of high bids received to the greater of MMS estimate of value or the minimum bid.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | 2.73 to 1 | 1.8 to 1 | 1.8 to 1 | 1.8 (+/ -0.4) to 1 | 1.8 (+/ -0.4) to 1 |

*Note–This goal was not established until FY 1999, and we did not calculate the ratio for FY 1997.

**Goal Description:** The MMS's current tract evaluation procedures are designed to ensure that the Federal Government receives fair market value (FMV) for leased tracts. Internal and external reviews of our auction and evaluation procedures have concluded that the procedures effectively ensure that we receive fair market value. We designed this measure as an indicator of our performance prior to 1995 and tested it during the period 1989 to 1995. The ratio varied over the years, but, with one exception on the high side, always fell within the range stated in the FY 2000 and FY 2001 goals. Because past reviews have shown that our procedures are effective, the range established during the test period gives us reasonable assurance we are receiving fair market value for leased tracts.

While our current goal is to maintain the current ratio of high bids received for OCS leases to MMS estimated value at 1.8 (+/- 0.4) to 1, we recognize that this measure may too narrowly focus on fair market value. We are continuing to look at how we measure FMV. We may refine this measure or add new measures in the future.

Immediately after a lease sale, MMS begins the two phased process of determining whether a bid can be accepted and a lease issued. The first phase, designed to accept those high bids where the competitive market can be relied upon to ensure FMV, is conducted on a tract-by-tract basis and is normally completed shortly after the bid opening. Those high bids not accepted in Phase 1 receive further evaluation in Phase 2, where MMS geoscientists prepare detailed maps and estimates on the economic value of oil and gas resources on each tract. A computer model called MONTCAR uses a range-of-values technique for handling calculations with uncertain input data. It provides a means of handling a series of subjective judgments about each variable, whether it be net pay, potential reservoir fill-up, porosity, or permeability. The net result of the MONTCAR runs is a resource economic value that is the mean of the range of values from more than 1,000 trials. The high bid on each tract is then compared to the government's value for that tract, and the ratio is developed based on the results.

## FY 2001 GOAL

By the end of FY 2001 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.

## STRATEGIES AND RESOURCES

**Maintain technological expertise:** As with other models used by MMS, research is constantly being done to refine the methodology and procedures that are involved with MONTCAR. We recognize that industry is continuously investing in technological advances to improve its tract evaluation process. The MMS must keep pace with industry advances in technology and be able to have the same data and analytical capabilities as industry to ensure fair market value for the public.

The MMS is requesting an increase of $818,000 in the FY 2001 budget to help maintain the Geologic Interpretive Tools (GIT) that we use to evaluate tracts for fair market value.

## FY 1999 ANNUAL PERFORMANCE REPORT

**Goal:** For FY 1999, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid does not decrease below the 1989-1995 average level of 1.8 to 1.

**Report:** We achieved the goal largely because of our GIT investments, which have helped us keep pace with industry's advances in technology. It is important that we have the same data and analytical capabilities as industry to ensure fair market value for the public.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | Data are extracted from TIMS, manually calculated, and manually entered into a performance matrix. |
| Validation | Data are cross-checked against related information submitted to RMP or independently acquired to assess accuracy or consistency. |

*Barrow, Alaska. The MMS conducted a scientific survey of shipwrecks in the Chukchi Sea in 1998.*

## DISCONTINUED OMM FY 1999 ANNUAL PERFORMANCE GOALS

**Goal:** In FY 1999, decrease to 6.8 percent the instances in which tracts classified as nonviable are drilled within five years of lease issuance and a discovery is made capable of producing in paying quantities.

**Report:** The FY 1999 actual result was 8.8 percent. The goal was not met because of the uncertainties that both MMS and the industry experienced in evaluating tracts as they ventured into exploration and development in deeper waters with rapidly changing technology. The result indicates that industry has, on occasion, been able to see things that MMS didn't during tract evaluations in the past, especially for deep water leases — a direct effect of its investment in GIT. However, this measure is for leases that were issued (and therefore evaluated) several years ago. Since then, MMS has made great strides in its evaluation techniques. We anticipate better results in this calculation for leases we have issued in the recent past and in future lease sales, largely because of our use of GIT. This year's result, which measures our ability to evaluate tract potential in prior years, has demonstrated the importance of keeping abreast of industry on interpretive technological advances.

In this evaluation, we have discovered that this measure is not a good overall indicator of how well we are achieving our strategic outcomes. As a result, FY 1999 will be the last year that we will include this as a GPRA measure. We do think the measure has value as a management tool, and we will continue to monitor it internally.

**Goal:** In FY 1999, increase to 265 the number of leases on which exploratory wells are drilled.

**Report:** There were 240 exploratory wells drilled in FY 1999, which was close to the goal and within approximately 4 percent of the most recent five-year average of 250. We believe the goal was not met because of the influence of external market factors, primarily the tremendous fluctuations in oil prices. Whether or not to drill an exploratory well is a business decision. All MMS can do is provide the opportunities that allow businesses to make these decisions. Because we cannot directly influence their decisions, this goal will not be included as a GPRA-reportable goal. We will continue to monitor and report the number of exploratory wells drilled, as well as continue to provide the opportunities to industry where we feel that they can make environmentally sound explorations.

**Goal:** In FY 1999, show a reduction in the rate of decline in the oil reserves-to-production ratio to a level of .82 per year.

**Report:** The FY 1999 rate of decline was .33. Goal exceeded. For several years, Congress and MMS had been witnessing a decline in the recoverable reserves and wanted to slow it down. This was achieved through a significant increase in deep water discoveries, caused in part by the Deepwater Royalty Relief Act. We have increased our efforts to make tracts available and exploration viable and attractive through such innovations as royalty suspensions.

However, our philosophy is to manage the OCS to achieve a balance that meets all laws and policies and allows businesses to make good decisions, not necessarily to increase production. MMS is not a business partner with industry, and the decision to produce is a business decision. Because we cannot directly influence industry production decisions, we have come to the conclusion that production-related goals are not truly indicative of our performance and influence. Therefore, we have dropped this and all of the following production goals effective in FY 2000. We will continue to monitor and report them, but not as targeted GPRA goals.

**Goal:** In FY 1999, show a reduction in the rate of decline in the gas reserves-to-production ratio to .31 per year.

**Report:** The FY 1999 rate of decline was .11. We exceeded this goal for reasons similar to those for the oil reserves-to-production ratio above.

**Goal:** In FY 1999, show an increase in annual oil production to not less than 554 million barrels.

**Report:** The FY 1999 actual production was 499 million barrels. We did not meet the goal, largely because prices were low for a good portion of the year, which caused some anticipated deep water projects to be put on hold by industry.

**Goal:** In FY 1999, show an increase in annual gas production from the OCS to 4.9 trillion cubic feet.

**Report:** The FY 1999 actual production was 5.0 trillion cubic feet. (This figure is an estimate based on partial year actual data.) Therefore, the goal was met.

**Goal:** In FY 1999, reach an annual sulphur production of 2.1 million long tons.

**Report:** The FY 1999 actual production was 1.5 million long tons. The goal was not met, because low prices drove down production, which involves only one offshore sulphur producer.

**Goal:** In FY 1999, reach an annual production level of 25.4 million cubic yards of sand.

**Report:** There was no significant sand production in FY 1999. The goal was not met because local governments did not initiate any requests to negotiate leases for federal sand. We anticipate increased demand for sand in the future, but it is not our mission to solicit requests for sand. Our mission is to make it available, whenever environmentally feasible, to local governments that request it. We will continue to do so.

## 2.2 ROYALTY MANAGEMENT PROGRAM (RMP)

The Federal Oil and Gas Royalty Management Act of 1982 established a framework to improve management of federal and Indian mineral royalties. In response to this mandate, MMS accepted an overall mission to provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.

The MMS's RMP has established a comprehensive, consolidated system for collecting, accounting for, and disbursing mineral revenues. In addition to a broad range of financial services, MMS also pursues a comprehensive compliance effort staffed by MMS employees and State and tribal auditors. Currently, MMS administers the rental, royalty, and other financial terms for over 26,000 producing and 54,000 non-producing mineral leases, both onshore and offshore.

The MMS began a program-wide royalty management reengineering initiative in April 1997, and is proceeding on schedule for complete implementation in October 2001. Our objective is to design and implement new royalty management business processes and automated support systems for the 21st century. We envision a reengineered program that is:

- Highly integrated
- Fully supported by state-of-the-art technology
- Process centered
- Focused on outcomes
- Less costly
- Viewed by our stakeholders as the best

Two end-to-end core business processes will meet the primary mission requirements:

- The financial management process will receive and disburse information and money.
- The compliance and asset management process will manage a full range of activities, including product valuation, market analysis, verification, and audit.

MMS has developed the following goals to accomplish its FOGRMA-mandated royalty management mission in the reengineered environment.

### 2.2.1 MISSION GOAL RMP-1: PROVIDE REVENUE RECIPIENTS WITH ACCESS TO THEIR MONEY WITHIN 24 HOURS OF THE DUE DATE.

**Description:** Using sophisticated, computerized accounting systems, MMS collects and processes reports and payments on over 80,000 leases each month related to bonuses, rents, and royalties. The Federal Oil and Gas Royalty Management Act requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. The MMS distributes and disburses these revenues-more than $4 billion annually-directly to recipients: states, the Office of the Special Trustee's (OST) Office of Trust Funds Management (OTFM), federal agencies, and U.S. Treasury accounts. The Bureau of Indian Affairs (BIA), working together with OTFM, disburses revenues to the appropriate tribes and individual Indian mineral owners (allottees).

**Proposed Legislation:** None proposed for FY 2001.

**BUDGET TABLE**

| Royalty Management Program– Mission Goal 2.2.1 | | | | | | |
|---|---|---|---|---|---|---|
| Budget Activity/Subactivity ($000) | FY 1999 Enacted | | FY 2000 Enacted | | FY 2001 Request | |
| | Total | Mission Goal 2.2.1 | Total | Mission Goal 2.2.1 | Total | Mission Goal 2.2.1 |
| Valuation and Operations | N/A* | N/A* | 45,853 | 24,073 | 47,136 | 24,700 |
| Compliance | | | 49,390 | 0 | 50,972 | 0 |
| Program Support Office | | | 3,159 | 938 | 3,262 | 969 |
| Indian Allottee Refunds | | | 17 | 0 | 17 | 0 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.* *Note: This is a new mission goal, effective FY 2000. For FY 1999 budget data by subactivity, see MMS's FY 1999 Annual Performance Plan.

## GOAL: ACCESS TO MONEY

**Mission Goal RMP-1 –** *Provide revenue recipients with access to their money within 24 hours of the due date.*

**Long-Term Goal RMP-1A –** *By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received.*

**Performance Measure –** *Percentage of funds disbursed by the end of the month following the month of receipt.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| 98.6% | 98.7% | 98.7% | 98.15% | 98% | 98% |

**Goal Description:** The objective of this goal is to improve disbursement timeliness by providing recipients access to mineral revenues by the end of the business day following the day of receipt. One business day was set as the target, rather than our stretch goal of 24 hours, to allow for holidays and weekends. Further, our objective is to continue to ensure that we disburse funds as required by law, by the end of the month following the month of receipt.

### FY 2001 GOAL

FY 2000 and 2001 will be transition years while new reengineered systems are being developed. Therefore, during FY 2000 and 2001, we will measure only the disbursement portion of this long-term goal. The MMS is required to disburse funds to recipients by the end of the month following the month MMS receives payments and reports. The MMS now disburses over 98 percent of funds "timely," as defined by FOGRMA, and our goal is to maintain that excellent level of fund disbursement service. Once new systems become operational in FY 2002, we will aspire to provide recipients access to funds within one business day (or later if the recipient prefers), so they have much quicker use of their funds. The 2002 target will not be overly aggressive because we will be in learning mode with the new systems, as will companies. The 2003 and 2004 targets, however, will move us incrementally closer to achieving 90 percent of funds accessible to recipients within one business day.

The FY 2000 plan showed an FY 2000 target of 98.7 percent for this goal. We have consistently maintained above 98 percent, and our new FY 2000-2005 long-term goal and annual targets will be to maintain this 98 percent disbursement level. Our primary focus is on our reengineering effort and improving our overall systems. At this time, a commitment of resources to achieve a higher level of performance would not provide as great a return on investment as committing them to developing new reengineered systems.

## STRATEGIES AND RESOURCES

**Implement New Systems and Improve Processes:** Our targets are based on the October 2001 system implementation date for these newly reengineered financial systems. General design sessions will begin for these systems in 2000 and will be developed in conjunction with more efficient future processes. These new systems and processes will expedite efficient management and timing of MMS disbursements and recipients' access to funds.

**Streamline Reporting:** Targets also will require that company reporting and payments be accurate and that we will have increased efficiencies in our processes as now envisioned. Streamlined reporting requirements will be implemented by the end of FY 2001.

**Increase electronic reporting and reduce reporting errors:** Our targets also are based on assumed contractor capability to ensure increased electronic payments and reporting by companies. This will allow MMS to more quickly process and verify reports and to expedite fund access and disbursement. The Royalty Simplification and Fairness Act of 1996 (RSFA) provided for assessments for chronic erroneous reporting. The MMS will publish chronic erroneous reporting regulations in alignment with new reengineered systems.

## FY 1999 ANNUAL PERFORMANCE REPORT

**Goal:** In 1999, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98.7 percent.

**Report:** The FY 1999 actual percentage was 98.15 percent, which did not meet the goal. The dollars and information provided timely to states and Indians is based on the average of monthly federal disbursements and monthly Indian distributions of information. The federal disbursements to states achieved 98.75 percent. However, Indian distributions reached only 97.53 percent. Because of our Indian trust responsibilities, we purposely ensure a greater amount of accuracy before distributing Indian information; thus the lower rate.

We have adjusted our 2000 and 2001 targets to 98 percent, providing a high level of service. We also will be focusing resources on developing new reengineered systems so that we can provide access to federal funds and Indian information within one business day or less frequently at the request of the recipient.

Currently, MMS achieves disbursement within one business day for Indian revenues. However, this requires companies to report additional information to MMS. If companies fail to do so, MMS must manually research and process the payments so funds can be directed to OTFM within one business day. A similar manual process for federal revenues is not possible using current systems and processes. It would require companies to make significant changes in the way they report and pay. Due to the significant volume of monthly reports for federal leases, the MMS workload would be unmanageable without the reengineered RMP business processes.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | This is a mainframe application. Dollars disbursed to states or distributed to Indians are based on the average of monthly federal disbursements and monthly Indian distributions of information, comparing disbursement date with later of the royalty receipt date or the payment receipt date. |
| Validation | Data are gathered directly from mainframe system. No manual calculation is required and results can be easily validated. |

## DISCONTINUED RMP FY 1999 REPORTING AND DISBURSEMENT ANNUAL PERFORMANCE GOALS

The following goals are not included in our FY 2000 and beyond annual plans because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan, and developed new annual performance goals in this FY 2001 Annual Performance Plan for the revised goals. These changes were made for several reasons, including:

- recommendations from Congress, OMB, and others that we try to focus on fewer, more vital, strategic outcome goals in our plans; and
- the prior goals do not reflect the reengineered royalty management program, which is due to be implemented in FY 2001.

However, we will continue to internally monitor these goals because we believe they are indicators that relate to our new mission and long-term goals and are valuable for internal management.

**Goal:** In FY 1999, late disbursement interest costs are targeted at $45,000.

**Report:** The FY 1999 actual interest costs were $40,804. Exceeded goal. Late disbursement interest is the total amount paid to states and Indians in FY 1999. Certain extraordinary events (payback of large net receipt amounts to states, based on policy calls) were excluded from this calculation.

Although the interest dollars are low relative to the total dollars disbursed, this goal provides an indicator of how well we are performing our disbursement function. We monitor this monthly and, if the dollars paid are higher than anticipated, we are able to immediately discover and correct the cause so that disbursements become more timely the following month.

**Goal:** By 1999, increase the percentage of royalty reports, production reports, and dollars received electronically to 96 percent for royalty reporting, 95 percent for production reporting, and 95 percent for dollars received.

*An old school house on the Tall Grass Prairie. Mineral revenues collected by RMP support education and land and water conservation.*

**Report:** The FY 1999 actual percentages were 81 percent for royalty reporting, 52 percent for production reporting, and 93 percent for payments. We did not meet this goal because the original targets were based on the proposed rule, which would have required electronic reporting on all forms for virtually everyone. However, as a result of stakeholder comments, we revised the final rule (effective November 1999 and published July 15, 1999) to exclude production reporting on forms that will be eliminated in FY 2001 and hardship cases. This resulted in fewer electronic reports in FY 1999.

The MMS also published a final rule on April 22, 1997, to incorporate U.S. Treasury requirements that payments and collections be made by Electronic Funds Transfers. The MMS has hired an electronic commerce services contractor to ensure that most remaining companies are converted to electronic formats by the end of FY 2001.

The MMS is aggressively pursuing more electronic reporting. We anticipate a continual increase in electronic transmittals. Electronic reporting, along with other streamlining and process improvements, has reduced our error correction costs by 20 percent, our manual data entry costs by 60 percent, and our file maintenance costs by 24 percent. Many royalty and production reporters using an electronic reporting option have experienced up to a 50 percent reduction in resources needed to comply with our reporting requirements.

An additional advantage of electronic reporting is the expanded time to report. If reporters use e-mail or Electronic Data Interchange, they can transmit reports to us on the due date rather than several days before the due date to allow for manual delivery. This additional time allows a reporter to collect more accurate and complete data, thereby reducing the need for amended reports. The MMS also can process the reports faster because electronic reports do not require manual entry.

### 2.2.2 MISSION GOAL RMP-2: ASSURE COMPLIANCE WITH APPLICABLE LAWS, LEASE TERMS, AND REGULATIONS FOR ALL LEASES IN THE SHORTEST POSSIBLE TIME, BUT NO LATER THAN THREE YEARS FROM THE DUE DATE.

**Description:** Until now, our goal has been to accomplish most compliance activities within six years, with a focus on companies. As a result of our reengineering effort, our end-to-end compliance and asset management activities will encompass product valuation, verification, major portion, audit, etc., and will focus on a property basis over a three-year cycle. We also will implement an independent audit function to ensure that end-to-end financial and compliance processes are consistently applied and effective.

**Proposed Legislation:** None proposed for FY 2001.

**BUDGET TABLE**

| Royalty Management Program – Mission Goal 2.2.2 | | | | | | |
|---|---|---|---|---|---|---|
| Budget Activity/Subactivity ($000) | FY 1999 Enacted | | FY 2000 Enacted | | FY 2001 Request | |
| | Total | Mission Goal 2.2.2 | Total | Mission Goal 2.2.2 | Total | Mission Goal 2.2.2 |
| Valuation and Operations | N/A* | N/A* | 45,853 | 12,243 | 47,136 | 12,632 |
| Compliance | | | 49,390 | 37,734 | 50,972 | 38,994 |
| Program Support Office | | | 3,159 | 1,558 | 3,262 | 1,608 |
| Indian Allottee Refunds | | | 17 | 0 | 17 | 0 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.* *Note: This is a new mission goal, effective FY 2000. For FY 1999 budget data by subactivity, see MMS's FY 1999 Annual Performance Plan.

## GOAL: ROYALTY COMPLIANCE (2A)

**Mission Goal RMP-2 –** *Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.*

**Long-Term Goal RMP-2A –** *By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001, ensure payments are at least 90 percent of expected value at the due date for 35 percent of properties.*

**Performance Measure –** *Percentage of properties with actual payments @ 90 percent of expected value.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | N/A* | N/A* | N/A* | 32%* | 35% |

*Note–There are no data available for these years because this is a new goal, and we do not have enough information to set a goal for FY 2000 or determine actual performance for prior years. However, we have established an estimate for FY 2000 to use as a baseline for future years. In addition, as stated below, we will continue to use our compliance index to measure our progress toward our compliance goals in FY 2000. The FY 2000 compliance index target is .9775.

**Goal Description:** This is a new goal for FY 2001. The objective of this goal is to improve the accuracy and timeliness of company royalty payments at the due date. This most closely relates to our previous compliance index, which compared overall dollars expected to dollars received. Our new goal focuses on expected values for defined production areas and properties, which is a major departure from our current company-based approach and will align us more with the way industry operates.

Based on information we are learning as we test reengineering concepts in Operational Model teams, we also have determined that we should revisit the methodology in the compliance index and expected value calculations regarding valuation criteria.

### FY 2001 GOAL

In FY 2000, we will continue to use our compliance index as the measure that most closely relates to this goal. The current compliance index is program-wide, based on total dollars. Before MMS calculates this index, we must wait one year for industry to make adjustments to their royalty and production reports and payments. For example, in 1999 we calculated the 1997 index.

By the end of FY 2001, our goal is to have converted most production into the new reengineered compliance processes, and to achieve compliance (payments within 90 percent of the expected value at the due date) on 35 percent of the properties we've converted. We will establish progressively higher percentages as we approach FY 2005. Once the majority of leases are converted to the new reengineered compliance processes, we will be able to run all properties through our computerized system on a real-time basis to determine whether they are in compliance with the expected value. We also will be able to run a program-wide compliance index on all properties, instead of on the sampling of properties now used for our current compliance index.

## STRATEGIES AND RESOURCES

**Implement New Systems and Processes:** To refine and advance the new reengineering concepts, MMS established Operational Model teams in 1998. In 1999, we began transferring responsibility for leases to these teams. The teams will develop and test the new methodology for calculating expected value. In 1999, they began testing a model compliance and asset management system to determine whether MMS has sufficient data and expertise to discover all of the significant instances of incorrect payment. With the knowledge gained from these tests, MMS will contract for a permanent compliance and asset management system to be integrated with the new financial system in FY 2000. The new system will provide MMS the ability to focus on several properties at once, enhancing timely and cost-effective processes and making the three-year goal more realistic.

**Streamline Reporting Requirements:** In preparation for new systems and processes, MMS has simplified reporting requirements. In FY 2000, we will begin revising regulations to reflect modified reporting requirements.

**Publish Valuation Regulations:** In the recently passed appropriations bill for DOI, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. MMS has re-proposed the rule for valuing oil produced from federal lands and plans to publish a final rule on March 15, 2000. MMS also re-proposed the rule for valuing oil on Indian lands and expects to publish a final rule by April 2000. Publication of these rules will assist MMS in ensuring earlier certainty of expected value.

**Implement Royalty-in-Kind (RIK) Initiatives:** In FY 2000 and 2001, MMS will continue RIK pilots, and phase them in operationally. For properties where we determine RIK makes the best business sense, the price will be set up-front in the contract, providing greater certainty of expected value for these properties.

### FY 1999 ANNUAL PERFORMANCE REPORT

**Goal:** In 1999, achieve a compliance index (actual voluntary royalty payments/expected royalty payments) of .975.

**Report:** We exceeded the target by achieving a compliance index of .9809. This is an annually calculated index. The actual index reported in calendar year 1999 is for calendar year 1997.

The MMS currently uses an overall outcome measure called a compliance index. The index is summarized by the following formula:

$$\frac{\text{actual voluntary royalty payments}}{\text{expected royalty payments}}$$

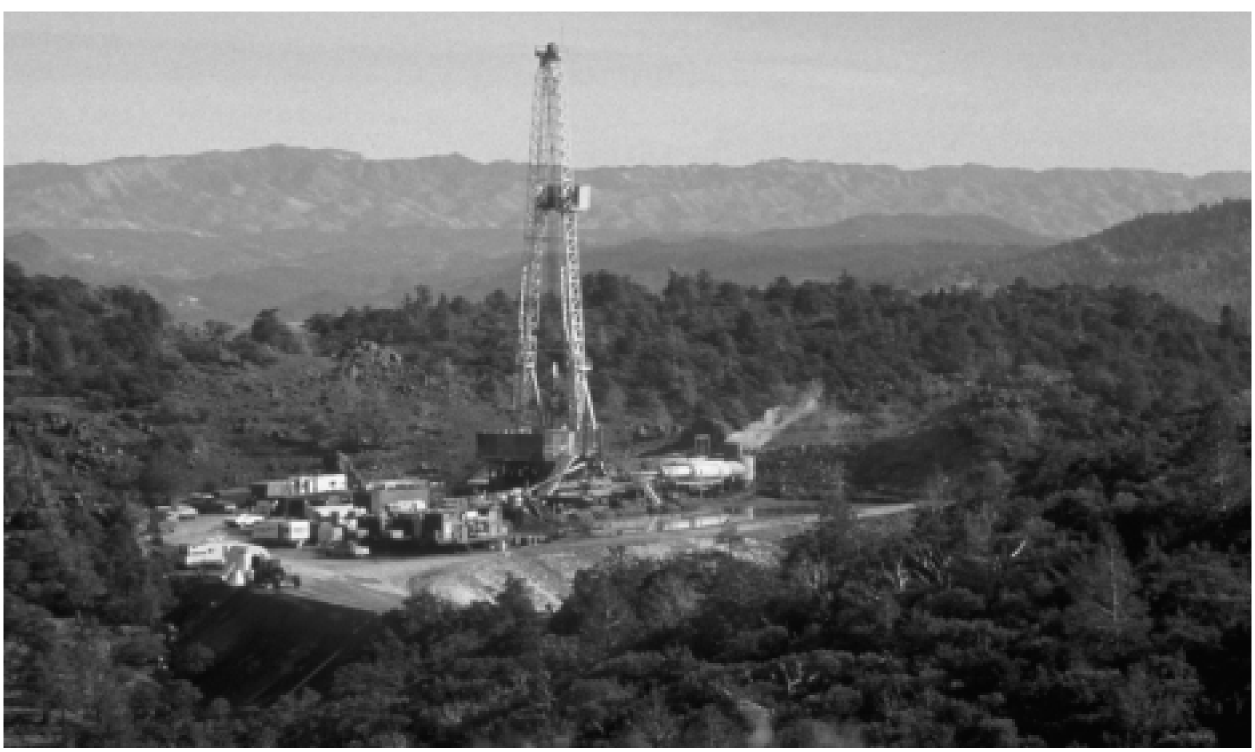
We will continue to calculate the compliance index until new systems are in place in October 2001, when our new goal, which focuses on expected value for defined producing areas and properties, is implemented. Once new systems are in place, we will be able to determine program-wide compliance while at the same time focus on compliance by property. The new systems will also allow us to create a real-time index, instead of waiting two years as currently required.

The increase this year is partially due to a change in the price data. Based on our contract reviews and other knowledge gained from operational models, the oil price is no longer based on posted prices but rather index prices.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | Current systems do not support our ability to perform in-depth analysis of expected value for all properties. Once properties are converted into the 3-year end-to-end process and new systems are available in FY 2002, we will refine our ability to gather this information on a real-time basis. |
| Validation | By FY 2002, new systems are scheduled to be in place that will calculate the expected values based on reported data, information gathered from third-party sources, industry contracts, information from surface management agencies such as BLM, and employee knowledge of the producing area. |

*An onshore gas well, from which RMP collects royalties.*



## GOAL: ROYALTY COMPLIANCE (2B)

**Long-Term Goal RMP-2B –** *By the end of FY 2005, issue 95 percent of necessary orders and demands within three years of the due date.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001, complete 95 percent of random audits for 1999 converted properties.*[1]

**Performance Measure –** *Percent of random audits completed for 1999 converted properties.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | N/A* | N/A* | N/A* | N/A* | 95% |

*Note–There are no data available for these years because this is a new goal, and we do not have enough information to determine actual performance for prior years.

**Description:** This is a new goal for FY 2001. Its objective is to measure and ensure the effectiveness of MMS's new reengineered end-to-end compliance processes and three-year compliance cycle and determine that all orders and demands that should have been issued have been issued. However, we will not be able to measure the effectiveness of a full three-year compliance cycle until FY 2002. Therefore, during FY 2000 and 2001, we will be measuring various outputs, rather than the strategic outcome, in the long-term goal.

### FY 2001 GOAL

Once new systems are implemented in October 2001, the new process will use automated tools to discover significant instances of potential non-compliance by testing companies' reported information against expected values for volume, royalty rate, value, and allowances. The expected values will be generated by a combination of automated processes using data from various sources, and the expertise gained by compliance specialists (auditors, economists, accountants, etc.) who work on the properties in one market area. The MMS will use a variety of techniques to test whether the payments made are actually incorrect.

To refine and advance the new reengineering concepts, MMS established Operational Model teams in 1998 and in 1999 began assigning lease compliance activities to these teams. These Operational Model teams will continue, developing and testing reengineered compliance under the new three-year compliance processing cycle in FY 2000 and FY 2001. For FY 2001, in order to ensure that necessary orders and demands have been issued within the three-year cycle and to determine whether MMS discovered and ordered the necessary correction of all significant non-compliance by lessees, MMS will perform independent random sample audits of properties converted in FY 1999. The goal of these audits is to guarantee that the three-year process is effective, and industry is in compliance with laws, lease terms, and regulations. The timing, extent, and scope of these audits will not be known until the new business processes are finalized and their related automated controls are designed and made fully operational.

[1] "Converted properties" are those properties that have been moved from RMP's current six-year company-focused audits into the three-year property-focused end-to-end compliance processes. The MMS has set an aggressive schedule for converting properties into the new three-year compliance process. The goal is to be fully transitioned by the end of FY 2003.

## STRATEGIES AND RESOURCES

**Implement New Systems:** With the knowledge gained from our system being used in the test environment, MMS will contract for a permanent compliance system to be integrated with the new financial system. The recommended information technology (IT) investments respond to Inspector General (IG) recommendations and reengineering conclusions that a relational database and program-wide workflow/case management tools are necessary but not currently available. Our reengineering analysis determined that current operations are time-consuming, frequently repetitive, somewhat arbitrary and take entirely too long. New systems, expected to be implemented in October 2001, will automate the targeting and resolution process for compliance, focusing on properties and analyzing all compliance components concurrently, and making the three-year goal more realistic.

**Transition Properties:** The MMS has developed the "Transition Audit Strategy for 1999 and Beyond" as our plan to move from six-year company-focused audits to the three-year property-focused end-to-end compliance processes. We have set an aggressive schedule for transferring leases to the new three-year compliance process. Although most production will be converted by 2001, residual audits for past periods will remain. During 2001, 2002, and 2003, MMS will complete these residual audits. Our goal is to be fully transitioned by the end of 2003.

### FY 1999 ANNUAL PERFORMANCE REPORT

This is a new annual performance goal.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | In order to ensure that necessary orders and demands have been issued within the 3-year cycle, MMS will perform independent random sample audits of converted properties to determine whether MMS discovered and ordered the necessary correction of all significant non-compliance by lessees. |
| Validation | The timing, extent, and scope of these process assurance audits will not be known until the new business processes are finalized and their related automated controls are designed and made fully operational. |

## DISCONTINUED RMP FY 1999 ROYALTY COMPLIANCE GOAL

The following goal is not included in the FY 2000 annual plan or beyond because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan and developed new annual performance goals in this Plan for the revised goals. These changes were made for several reasons, including:

- recommendations from Congress, OMB, and others that we try to focus on fewer, more vital, strategic outcome goals in our plans; and
- the prior goals do not reflect the reengineered royalty management program, which is due to be implemented in FY 2001.

RMP will continue to monitor this goal internally because we believe it is an indicator that relates to our new long-term goal and is valuable for internal management.

**Goal:** In FY 1999, the percentage of royalty and production reports submitted without fatal errors is 97.5 percent.

**Report:** The FY 1999 actual percentage was 95.87 percent. This is linked to electronic reporting goals. Because electronic reporting conversion has slipped, we did not achieve this goal. (See discussion in Section 2.2.1.)

We are closely monitoring the accurate reporting measure to determine what actions may be necessary to improve compliance. In FY 2000, as we complete conversion of reporters to electronic format, we anticipate increased accuracy. The royalty error rate for electronically reported lines was 2 percent, compared with an 8 percent error rate on the paper reports. In addition to being more timely and accurate, electronic reports cost significantly less than paper. They also streamline the error correction process because reporters can make their own corrections and quickly resubmit the reports to us. As we increase the number of reporters converted to electronic formats, this measure should increase as well.

### 2.2.3 MISSION GOAL RMP-3: FULFILL OUR MINERAL REVENUE INDIAN TRUST RESPONSIBILITIES.

**Description:** In an effort to provide the highest possible Indian trust protection, and to enforce the unique terms contained in Indian leases, MMS is expanding its major portion[1] and dual accounting[2] coverage to Indian tribes and allottees not currently being serviced. MMS policy requires calculations dating as far back as 1984. To date, this initiative has resulted in additional royalty collections of approximately $7 million.

Indian lease terms require lessees to compute royalties using specific calculation processes to determine both "major portion" and "dual accounting" amounts for gas leases and "major portion" amounts for oil leases. The information lessees' need for past periods to calculate these liabilities is not readily available to them. The MMS collects the necessary information, calculates major portion and dual accounting, and bills companies for any additional royalties due.

**Proposed Legislation:** None proposed for FY 2001.

**BUDGET TABLE**

**Royalty Management Program – Mission Goal 2.2.3**

| Budget Activity/Subactivity ($000) | FY 1999 Enacted | | FY 2000 Enacted | | FY 2001 Request | |
|---|---|---|---|---|---|---|
| | Total | Mission Goal 2.2.3 | Total | Mission Goal 2.2.3 | Total | Mission Goal 2.2.3 |
| Valuation and Operations | N/A* | N/A* | 45,853 | 9,537 | 47,136 | 9,804 |
| Compliance | | | 49,390 | 11,656 | 50,972 | 11,978 |
| Program Support Office | | | 3,159 | 663 | 3,262 | 685 |
| Indian Allottee Refunds | | | 17 | 17 | 17 | 17 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.* *Note: This is a new mission goal, effective FY 2000. For FY 1999 budget data by subactivity,see MMS's FY 1999 Annual Performance Plan.

[1] "Major portion" means the highest price paid or offered at the time of production for the major portion of oil or gas production from the same field. The price is calculated using a percentage of the arm's-length sales in the field.

[2] "Dual accounting" is the comparison of two values of gas: 1) prior to processing and 2) after processing at a gas plant. The higher of the two values is the basis for royalty payments.

## GOAL: INDIAN TRUST RESPONSIBILITIES

**Mission Goal RMP-3 –** *Fulfill our mineral revenue Indian trust responsibilities.*

**Long-Term Goal RMP-3A –** *By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and dual accounting for the time period 1984-2005.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001, ensure 70 percent of Indian gas producing properties are in compliance with major portion and 47 percent are in compliance with dual accounting for the time period 1984-2001.*

**Performance Measure –** *Percentages of Indian gas producing properties that are in compliance with major portion and dual accounting.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | N/A* | N/A* | MP-45%<br>DA-9% | MP-60%<br>DA-30% | MP-70%<br>DA-47% |

**Long-Term Goal RMP-3B –** *By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005.*

**FY 2001 Annual Performance Goal –** *By the end of FY 2001, ensure 25 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2001.*

**Performance Measure –** *Percentage of Indian oil producing properties that are in compliance with major portion.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | N/A* | N/A* | 8% | 15% | 25% |

*Note–There are no data available for these years because these are new goals, and we do not have enough information to determine actual performance for prior years. We are reporting FY 1999 actuals to establish the baseline, although these were not goals in the FY 1999 Annual Performance Plan.

**Goal Description:** These are new goals for FY 2001. Their objective is to eliminate the backlog of major portion and dual accounting calculation and enforcement for the time period 1984-1999 and to perform these calculations more contemporaneously for FY 2000-2005. We anticipate significant additional revenues to our Indian stakeholders as the initiative advances.

Separate long-term goals are established for properties producing gas and properties producing oil because annual targets will move at different paces due to different valuation complexities, varied lease term requirements, and the specialized resource expertise needed for each product. Because much of the related information is the same, the descriptions of both goals have been combined below.

### FY 2001 GOAL

In setting the targets for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. We determined these specific tribes by analyzing the total Indian revenues reported to MMS. The FY 2001 annual target ensures that we continue to progress incrementally toward achieving our 2005 goal.

### STRATEGIES AND RESOURCES

**Maximize our Staff's Expertise:** The MMS must maximize utilization of staff who have specialized expertise to complete calculations based on both past regulations and new regulations, who understand differences between oil and gas lease term requirements, and who can efficiently complete the calculations.

**Publish the Final Indian Oil Valuation Rule:** Targets are based on publication of the Indian Oil Valuation Rule. In the recently passed appropriations bill for the Department, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. MMS re-proposed the rule for valuing oil on Indian lands and expects to publish a final rule by April 2000. Any change in any of these factors could cause us to adjust our targets.

**Implement the Final Gas Valuation Rule:** While MMS is completing implementation of major portion and dual accounting for 1984-1999, we also will be ensuring compliance with these lease requirements for FY 2000 and forward. Changes provided in the new Indian Gas Valuation Regulation will simplify the burden of complying with these lease term requirements.

**FY 1999 ANNUAL PERFORMANCE REPORT**

These are new goals in our FY 2000-2005 Strategic Plan.

### DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | Current systems do not support our ability for automated gathering of this data. It is currently manually intensive and subject to human intervention and interpretation. We are designing data collection methodologies into our reengineered automated systems. |
| Validation | Once new systems are implemented in FY 2002, we will have online analytical data tools that will facilitate gathering of this information and ensure higher integrity of the data. |

### DISCONTINUED RMP FY 1999 MINERAL REVENUE INDIAN TRUST RESPONSIBILITY GOAL

The following goal is not included in our FY 2000 annual plan or beyond because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan and developed new annual performance goals in this Plan for the revised goals. These changes were made for several reasons, including:

- recommendations from Congress, OMB, and others that we focus on fewer, more vital, strategic outcome goals in our plans;
- the prior goals do not reflect the reengineered royalty management program, which is due to be implemented in FY 2001; and
- experience with these measures has taught us that they do not adequately reflect MMS's role in, and our ability to be accountable for, the measures.

*Involving our Indian stakeholders.*

**Goal:** By 1999, increase the number of Indian tribes having system access to 15, taking part in training as Inter-Governmental Personnel Act (IPA) Agreement employees or as interns to five, and assuming functions (audits, etc.) to eight.

**Report:** The FY 1999 actual was 14, four, and eight respectively. We did not meet the first two targets, but did meet the third. Tribal candidates must meet or exceed the basic qualifications for the prospective work. They also may need to devote full-time to this program for several months, possibly up to two years. Tribes have difficulty locating members who meet these criteria. We will continue to assist Tribes in overcoming these difficulties.

Under the Secretary's American Indian trust responsibilities, MMS is responsible for Indian mineral royalty collection and disbursement functions. We also are responsible for assisting tribes in assuming functions performed on their behalf because of their status as Indians, as provided by the Indian Self Determination and Education Assistance Act, P.L. 93-638, as amended. The goal is to facilitate tribal assumption of the work MMS does on Indian trust resources.

To help tribes prepare to assume royalty management services, MMS offers a number of opportunities. We teach online monitoring of royalties and accounts, handling royalty audit work through cooperative agreements, and, through a new internship program for tribal employees, royalty collection processes.

We are working with tribes to let them know of our interest in having them successfully assume functions, if they wish. We recommend they get involved in our work, at least by accessing our databases, so they can independently view the mineral royalty information we have. If they would like to get more involved, but lack the expertise, we encourage them to participate in our Royalty Internship Program.

The Royalty Internship Program is intended for mineral producing tribes desiring to increase their royalty management expertise. Increased system access also provides tribes with the necessary link to MMS.

Considering customer needs, we designed a flexible training program, built around on-the-job training and customized to individual tribe needs. Interns will receive desired training in RMP's mineral revenue management activities, which can include royalty accounting, report processing, exception resolution, audit, and valuation. We use Intergovernmental Personnel Act Agreements similar to those used for FOGRMA Section 202 cooperative agreement internships. We negotiate reimbursement to the tribe for much of the cost for a participant.

## 2.3 CUSTOMER SERVICE GOAL

### 2.3.1 MISSION GOAL CS-1: INTERACT WITH OUR CUSTOMERS IN AN OPEN AND CONSTRUCTIVE MANNER TO ENSURE THAT WE PROVIDE QUALITY SERVICES THAT SATISFY OUR CUSTOMERS' NEEDS.

Both the Offshore and Royalty Management Programs have always focused on customer service. We are now developing a measure of our performance.

As discussed, RMP is currently involved in an extensive reengineering initiative, and is collaborating with its stakeholders to develop and test new processes. Therefore, MMS intends to pilot its performance measurement in the OMM Program. The RMP will have the full benefit of OMM's efforts when it begins to measure its performance after implementing its reengineered processes.

**Description:** All of our stakeholders are our customers. Stakeholders served by all of MMS include states, the oil and gas industry, the public, Congress, and the Executive Branch. In the OMM program, additional stakeholders include environmental groups and other marine mineral industries. In RMP, our additional stakeholders include Indian tribes and allottees and the solid minerals industry. We define "data and information services" to include industry training and outreach sessions, and walk-in/call-in/Web-site customers.

**Proposed Legislation:** None proposed for FY 2001.

## GOAL: CUSTOMER SERVICE

**Mission Goal CS-1** – *Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.*

**Long-Term Goal CS-1** – *By 2005, show an increase in customer satisfaction with our data and information services.*

**FY 2001 Annual Performance Goal** – *In FY 2001, we will increase the customer satisfaction index over the FY 2000 baseline.*

**Performance Measure** – *Percentage of customers indicating satisfaction with OMM's data and information services.*

| FY 97 Actual | FY 98 Actual | FY 99 Plan | FY 99 Actual | FY 00 Plan | FY 01 Proposed |
|---|---|---|---|---|---|
| N/A* | N/A* | N/A* | N/A* | N/A* | TBD |

*Note–There are no data available for these years because this is a new goal, and we do not have enough information to set a goal for FY 2000 or determine actual performance for prior years.

**Goal Description:** This is a new goal for FY 2001. We plan to gather baseline data for OMM in FY 2000 using surveys approved by the Office of Management and Budget. The RMP anticipates an intense learning mode for its new systems in FY 2002. In FY 2003, after new systems are implemented and stabilized, RMP will gather baseline data regarding its stakeholders' satisfaction with new reengineered processes and systems. For each program, annual performance goals will be incremental increases above the baseline.

## STRATEGIES

**Provide Outreach, Public Information, and Training:** The MMS has a vigorous communications program that includes public affairs, congressional affairs, and external affairs components. The public reviews all our proposed actions, and we hold frequent congressional briefings. We intend to continue and expand upon these activities.

The MMS maintains a highly popular Web site: www.mms.gov. It has information about MMS programs, ongoing activities, initiatives, and reference material. Regarding the Gulf of Mexico Region alone, the Web site has 2,617 pages available to the public. We will also continue innovations to improve quality data and information services to our customers, such as the recent release of 50 years of Gulf of Mexico oil and gas information in a four-CD-ROM set.

The MMS develops and maintains its relationships with industry in part by providing several royalty and production reporting training sessions each year. In addition, we hold more than 50 outreach sessions annually with Indian stakeholders and offer an Indian internship program for on-the-job-training.

**Involve Stakeholders as Partners:** We have established partnerships with Indian, state, and industry stakeholders. We engage them as full members on RMP's Operational Model teams and involve them in developing compliance strategies. In the early stages of reengineering, MMS held more than 50 workshops with RMP's stakeholders to keep them informed and involved in changes and to move from conflict toward consensus.

The MMS offers a number of opportunities to tribes, including access to automated systems and handling royalty audit work through cooperative agreements. These efforts will assist the tribes in assuming royalty functions and further improve our government-to-government relationship.

We also involve stakeholders through advisory committees and other forums. These include the Royalty Policy Committee, the State and Tribal Royalty Audit Committee, the OCS Policy and Scientific Committees, the Alaska OCS Region Offshore Advisory Committee, and the Environmental Forum.

## DATA VERIFICATION AND VALIDATION

| | |
|---|---|
| Data Collection Methodology, Sources, and Limitations | As we develop our strategies to achieve this goal, we will design data collection methodologies that meet our needs while complying with requirements of the Paperwork Reduction Act. |
| Validation | We will ensure that the data we use to tabulate our results are gathered following statistically valid protocol and can be validated. |

**Pursue Opportunities for Electronic Business:** Most of RMP's large royalty payors report electronically; however, 80 percent of our smaller royalty and production reporters have not yet converted to electronic formats. Electronic submissions increase reporting accuracy, which increases timeliness of disbursements to recipients. The RMP has obtained the services of a contractor to convert the remaining reporters to electronic formats.

In the OMM Program, by receiving and providing quality data, applications (such as approvals for permit to drill), and information electronically, we can reduce the amount of paper being sent and show cost savings and quicker response times for all parties.

**Locate MMS Staff in New Field Locations:** By locating our staff nearer to Indian country, MMS will be closer to the Indian mineral owners and will be better positioned to address issues and concerns specific to each owner in locations convenient to them.

### FY 1999 ANNUAL PERFORMANCE REPORT

The MMS did not have a FY 1999 Customer Service goal.

# Section III

*Additional GPRA Information*

### 3.1 CUSTOMER SERVICE

Customer service and satisfaction are priorities for MMS. We constantly strive to deliver high quality, cost-effective, timely products and services to our customers and stakeholders. For FY 2001 we will be piloting direct measurement of customer satisfaction in OMM. We plan to expand this effort to RMP by FY 2003 (see section 2.3).

OMM has developed cooperative efforts with states and local governments, industry and others to address various OCS-related safety and regulatory issues. By working with its constituents, OMM has been able to find program efficiencies while continuing to improve the effectiveness of its safety and environmental program. Examples include:

- Finalizing a Memorandum of Understanding (MOU) in December 1998 with the U.S. Coast Guard concerning shared responsibilities under the OCS Lands Act. The two agencies based the MOU on input from affected groups.

- Developing an MOU in conjunction with the Special Programs Office of the Department of Transportation governing the regulation of offshore pipelines. With help from the regulated groups, the two agencies arrived at an agreement that gives pipeline owners a role in determining which agency will regulate a given pipeline.

- Implementing a series of agreements with other federal agencies and coastal state governments to cooperatively develop federal/state boundaries, describing data relevant to leasing as well as state regulatory and enforcement actions. Many of the agreements with coastal states will lead to fixing of the federal/state boundary by Joint Motions filed with the United States Supreme Court. The latest effort has led to a Supplemental Decree fixing the offshore boundary with the state of Texas.

- Working in close association with the American Petroleum Institute to develop industry standards and with the Offshore Operators Committee to create performance measures for operators and contractors working on the OCS.

RMP has actively pursued customer and stakeholder participation throughout the reengineering processes. Stakeholders are consulted, and changes are made in response to their suggestions. The RMP receives input quarterly from the Council of Petroleum Accountants Societies (COPAS), a technical group that promulgates accounting regulations for the oil and gas industry and provides a link to other industry trade groups. The Royalty Policy Committee (RPC), which includes Indian, state, and industry representatives, also has provided valuable input, as has the State and Tribal Royalty Audit Committee.

We have established partnerships with Indian and state stakeholders, engaging them as full members on Operational Model teams. We also are partnering with industry as we develop new compliance strategies. In FY 2000, we will involve BIA, the OTFM, and BLM in developing the general design for our minerals revenue financial systems. We will continue involving our stakeholders in development of reengineered processes and systems through the October 2001 implementation and beyond.

### 3.2 CROSSCUTTING ISSUES

The MMS coordinates OMM activities with the Fish and Wildlife Service, the U.S. Geological Survey, the National Oceanic and Atmospheric Administration, EPA, the Army

Corps of Engineers, the U.S. military, the Coast Guard, state and local governments, environmental groups, and industry, and provides information that sometimes would not be available otherwise. For example, the MMS supplied information to the National Marine Fisheries Service from MMS-funded research to aid them in identifying essential fish habitat.

The MMS also coordinates RMP activities with BIA, BLM, OST, state governments, Indian tribes and allottees, and industry.

## 3.3 MANAGEMENT ISSUES

As discussed in Section 3.5, Program Evaluations, the Department's Office of the Inspector General (IG) routinely conducts audits of MMS programs and activities, including overall financial management reviews. The IG conducted a review of MMS's Financial Management Branch in FY 1999 and has drafted its report. The draft report contains a finding that MMS's internal controls for financial data management were not sufficient to prepare FY 1998 financial statements in accordance with federal accounting standards.

The MMS has accepted the IG audit finding and has initiated an aggressive program to address the deficiencies and design cost-effective and timely corrective action. We are working closely with the IG and with a multi-Bureau task force of financial management professionals to identify and perform the corrective actions and develop and implement an adequate internal control structure. In addition, we plan to engage a national public accounting firm to conduct a comprehensive review of the accounting system and our operational policies and processes. Correcting the identified deficiencies is of the highest priority and concern to MMS.

## 3.4 DATA VERIFICATION AND VALIDATION

During FY 2000 and 2001, MMS's performance measures will be captured automatically to the extent possible from our current systems or from pilot reengineering systems. Because of current limitations, much of our performance data will require manual manipulation during this transition period, especially for the new measures and indices that we are developing and testing.

An example of the attention that we will be giving to data verification and validation is our royalty management reengineering initiative. In October 1999, MMS awarded a contract to Andersen Consulting (Andersen) for a commercial off-the-shelf (COTS) financial accounting system, a relational database management system, and integration services for the development of a variety of technology tools. The COTS will be provided by PeopleSoft, whose software, Financials for Education and Government, has been certified in compliance with Joint Financial Management Improvement Program (JFMIP) requirements. In 2000, MMS will award a separate contract for compliance systems development. To provide the highest level of validation of the data, we will automate performance data-gathering capabilities and ensure the integrity of all systems developed.

## 3.5 PROGRAM EVALUATIONS

A number of internal and external efforts comprise MMS's program evaluations. The RMP is a major source of revenue to the Federal Government, and therefore is continuously under review by oversight agencies such as the Office of Inspector General and the U.S. General Accounting Office. The OMM also is periodically reviewed by the IG because of its importance in monitoring safety and environmental impacts on the OCS. In FY 1999, the IG conducted two audits each in RMP and OMM, as well as overall financial management reviews. The IG has scheduled six audits in FY 2000 as well. These are discussed below.

In addition, MMS routinely conducts scheduled in-depth appraisals and ongoing self-analyses with various internal evaluations, including Alternative Management Control Reviews (AMCR), Performance Management Assessment Tool Reviews (PMAT's), Departmental Function Reviews (DFR), Automated Information System Reviews (AISR), and Quality in Contract Program Reviews (QUIC). We conduct the reviews on a rotating basis among the various programs and functional areas. These reviews examine whether adequate controls are in place to ensure that intended results are achieved, resources are protected from waste, fraud, and mismanagement, and management information is reliable. In FY 1999, we conducted three reviews in the Directorate of Administration and Budget (A&B), four in RMP, and one in OMM. For FY 2000, we have scheduled three in A&B, three in RMP, and one in OMM.

We also use quantitative measures to assess our progress toward meeting our goals, use program evaluations to identify ways to improve our performance, and rely on internal and external feedback from our customers to gauge our success in meeting their needs.

## OFFICE OF THE INSPECTOR GENERAL

The IG recently conducted an audit of RMP and concluded that a relational database and program-wide workflow with case management tools are necessary but not currently available in RMP. The RMP's internal reengineering analysis also noted that current operations are time-consuming and often repetitive, and cannot efficiently support reengineered business processes. The IG has scheduled a follow-up audit in FY 2000 to determine whether MMS has satisfactorily implemented the recommendations.

In October 1999, MMS awarded a contract to Andersen Consulting (Andersen) for a commercial off-the-shelf (COTS) financial accounting system, a relational database management system, and integration services for the development of a variety of technology tools. Under Andersen's contract, PeopleSoft will provide COTS and database management software, including reporting tools. PeopleSoft Financials for Education and Government has been certified as in compliance with JFMIP requirements.

In 2000, MMS will award a separate contract for compliance systems development. These compliance systems, targeted for implementation in October 2001, will automate many of the targeting and resolution processes for compliance, focusing on properties and analyzing all compliance components concurrently. The new systems also will provide capabilities to ensure early detection and resolution of compliance issues, which will enhance MMS's ability to detect whether companies are paying correctly at the due date.

In addition to financial audits, the IG conducted four performance audits in FY 1999. These audits, the results of which did not directly affect the formulation of the goals in this plan, were as follows:

- OMM's Technical Information Management System;
- OMM's Criminal Referral Process for Offshore Civil/Criminal Penalties;
- RMP's Indian Royalty Disbursement Process; and
- RMP's Small Refiner Royalty-in-Kind Program.

The IG has not yet issued reports for these audits, except for a draft report on the last one.

## MANAGEMENT CONTROL REVIEWS

The OMM has scheduled one internal review in FY 2000, titled "Oil and Hazardous Materials Simulated Environmental Task Tank." This review will use the automated assessment approach PMAT, which focuses on six categories as required by OMB Circular A-123. These categories are organizational control and environment, program effectiveness, resource stewardship, regulatory compliance, risk management, and management information.

In addition to the program-wide reengineering initiative, RMP is conducting three reviews regarding Indian direct payments, records management, and billing procedures. We plan to complete these reviews by the end of FY 2000. We will analyze the results from these reviews for their impacts to all of our royalty management-related goals. Particularly, we anticipate impacts to our goal to fulfill our mineral revenue Indian trust responsibilities.

We also have scheduled three A&B reviews. Our scheduled FY 2000 reviews are shown in the following table.

| Program Evaluation | Type | Scope |
|---|---|---|
| Minerals Management Service Financial Statements for Fiscal Years 2000 and 1999 – MMS | IG Audit | The objective of this financial audit is to determine, among other things, whether MMS's financial statements for FY 2000 and FY 1999 were presented fairly and in accordance with applicable accounting standards. |
| MMS Exchange/Outlook Messaging System – A&B | AISR | The team is developing the scope of work. |
| Acquisition Performance Assessment – A&B | QUIC | The team is developing the scope of work. |
| Personal Property Performance Measurement – A&B | QUIC | The team is developing the scope of work. |
| Impact of Deepwater Royalty Relief Act of 1995 – OMM | IG Audit | The objective of the evaluation is to determine whether the criteria and process used to extend royalty relief to companies were in compliance with the requirements and intent of the Deepwater Royalty Relief Act. |
| Platform Removals and Site Clearances – OMM | IG Audit | The objective of the audit is to determine whether OCS operators complied with MMS requirements for removing platforms and clearing the locations of all obstructions. |
| Oil and Hazardous Materials Simulated Environmental Task Tank – OMM | PMAT | This review will focus on six categories as required by OMB Circular A-123. These categories are: organizational control and environment; program effectiveness; resource stewardship; regulatory compliance; risk management; and management information. |
| Follow-up of Recommendations for Improving General Controls over Automated Information Systems – RMP | IG Audit | The objective of this audit is to determine whether MMS satisfactorily implemented the recommendations made in prior IG audit reports on general controls over its automated information systems and whether any new recommendations are warranted. |
| Follow-up of Negotiated Royalty Settlements – RMP | IG Audit | The objective of this audit is to determine whether MMS satisfactorily implemented the recommendations made in the IG's September 1996 audit report on negotiated royalty settlements and whether any new recommendations are warranted. |
| Royalties on Tax Credits for Non-conventional Fuels – RMP | IG Audit | The objective of the audit is to determine whether MMS initiated the collection of royalties from monetized tax credits on non-conventional fuels. |
| Records Management – RMP | AMCR | The team is developing the scope of work. |
| Indian Direct Payments – RMP | AMCR | The team is developing the scope of work. |
| Billing/Follow-up – RMP | AMCR | The team is developing the scope of work. |

## 3.6 CAPITAL ASSETS/CAPITAL PROGRAMMING

The MMS submitted a Capital Asset Plan and Justification to OMB in 1998 for its major reengineering project, and has continued to work closely with OMB in submitting additional related documents. The principal objective of this initiative is to design, develop, and implement new royalty management business processes and supporting information technology systems for the 21st century. The new concept of operations was outlined in the March 1998, Preliminary Design Concepts document. IT plays a key enabling role in business process reengineering.

Current systems were implemented in the early 1980s and have been subjected to thousands of changes to meet an ever expanding mission. Today RMP's IT environment is complex, inefficient, difficult to change, and expensive to maintain. The mix of aging mainframe-based systems and substantial changes needed to support reengineered business processes represents a major risk to future systems reliability and operational stability. These factors could jeopardize RMP's ability to achieve GPRA-based performance objectives such as timely and accurate disbursement of receipts. The proposed IT investments supporting related process improvements will contribute directly to future RMP mission accomplishment. For example, once implemented, the new systems will give MMS the flexibility to disburse funds throughout the month, thus increasing timeliness.

The recent Capital Asset Plan and Justification identifies annual benefits from increased revenues, simplified reporting, and operational cost savings to be $19.1 million. While these tangible benefits are significant, there are important intangible benefits as well. This project will produce significant improvements to RMP's outputs and operational benchmarks that support its mission goals. Without a reengineered system, RMP cannot readily meet all RSFA requirements, particularly the delegation of functions to states. The modernization also will allow RMP to disburse funds earlier than the law requires, thus increasing the timeliness of payments.

The first of the two RMP modules contracted is the financial module. Andersen Consulting has been selected as the successful prime contractor. We are revising the acquisition strategy for the compliance and asset management (CAMP) module requirements, based on information gained during the financial contractor selection process. The revised strategy will facilitate the development and implementation of the CAMP applications and minimize risks associated with integrating different software solutions.

The MMS is requesting a total of $15 million for royalty management reengineering in FY 2001 (this is not an increase in FY 2001). The funds requested will support recommended information technology investments, including the implementation of a relational database management system, workflow/case management tools, a COTS royalty accounting system, and a contractor-owned and -operated data center. A host of automated analytical tools and enhanced use of the capabilities of the Internet for reporting and information exchange is contemplated as well. Finally, these funds are intended to provide implementation and enhanced automated support of RMP's reengineered compliance and asset management processes.

A Capital Asset Plan for the Technical Information Management System (TIMS) of the Offshore Minerals Management Program (OMM) is being submitted. The TIMS is a completed system and is currently in a maintenance mode. The system is used in support of all OMM technical activities. It consists of a corporate data base and also includes Geologic Interpretative Tools (GIT),which are critical in the determination of fair market value for lease sale bid evaluations. An increase of $818,000 is included in the FY 2001 budget request to support life-cycle maintenance of GIT. Without the increased funds, our ability to meet our fair market value goal would deteriorate.

## 3.7 USE OF NON-FEDERAL PARTIES IN PREPARING THIS PLAN

This document was drafted by MMS employees and edited and formatted by PricewaterhouseCoopers under a Department of the Interior contract.

## 3.8 WAIVERS FOR MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY

No waivers of administrative requirements to provide managerial flexibility are being requested in this plan.

*Don Edwards San Francisco Bay National Wildlife Refuge, purchased with funds collected by MMS from offshore operations and disbursed to the Land and Water Conservation Fund.*

# Appendix I

## *At-a-Glance View of Minerals Management Service's FY 1999 Performance*

| GPRA Mission Goal | Long-Term Goal | FY 99 Annual Goal [1] |
|---|---|---|
| **Ensure safe OCS mineral development.** | By 2002, show a decrease in the accident index below the 1996 level of 0.612. | In FY1999, achieve an accident index no greater than 0.594. |
| **Ensure environmentally sound OCS mineral development.** | By 2002, show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline. | In FY 1999 show a decrease of .5-1.0 in the number of environmental impacts per OCS mineral development activity below the 1998 baseline level of 10.45. |
| | By 2002, show a decrease in the amount of oil spilled below the 1992-96 average level of 5.09 barrels spilled per million barrels produced. | In FY 1999, show a decrease in the amount of oil spilled to a level of 5.07 barrels spilled per million barrels produced. |
| **Ensure that the public receives fair market value for OCS mineral development.** | From 1997-2002, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid does not decrease below the 1989-1995 average level of 1.8 to 1. | For FY 1999, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid does not decrease below the 1989-1995 average level of 1.8 to 1. |
| | By 2002, decrease below the 1989-96 average level of 7% the tracts classified as nonviable but on which a lessee makes a discovery within 5 years that a well is capable of producing in paying quantities. | *In FY 1999, decrease to 6.8 percent the instances in which tracts classified as nonviable are drilled within 5 years of lease issuance and a discovery is made capable of producing in paying quantities. |
| **Provide for mineral development on the OCS.** | By 2002, show an increase in the annual number of leases on which exploratory wells are drilled above the 1992-96 average level of 250 leases. | *In FY 1999, increase to 265 the number of leases on which exploratory wells are drilled. |

[1] FY 1999 Annual Performance Goals that are not in the FY 2000 or FY 2001 Annual Performance Plans are marked with an asterisk.

| Target Performance | Actual Results | Comments |
|---|---|---|
| .594 | .578 | Exceeded target. MMS has made a concerted effort in the past several years to raise industry's safety consciousness by building partnerships and increasing communications. |
| 9.95 | N/A (Calendar Year) | This is a calendar year annual goal. The result cannot be calculated until March 2000. We have no reason to believe we will not achieve our annual target. |
| 5.07 | 17.5 | The largest pipeline spill since FY 1992 occurred early this FY, causing the high spill result. This number actually could be as high as 24.0 because of a 7/23/99 spill, the results of which are not yet known. |
| 1.8 to 1 | 1.8 to 1 | We achieved the goal largely because of our GIT investments, which have helped us keep pace with industry's advances in technology. |
| 6.8% | 8.8% | The goal was not met because of the uncertainties that both MMS and the industry experienced in evaluating tracts as they ventured into exploration and development in deeper waters with rapidly changing technology. |
| 265 | 240 | There were 240 exploratory wells drilled in FY 1999, which was close to the goal and within approximately 4 percent of the most recent five-year average of 250. We believe the goal was not met because of the influence of external market factors, primarily the tremendous fluctuations in oil prices. |

# *At-a-Glance View of Minerals Management Service's FY 1999 Performance* *continued*

| GPRA Mission Goal | Long-Term Goal | FY 99 Annual Goal [1] |
|---|---|---|
| **Provide for mineral development on the OCS.** | By 2002, show a reduction in the rate of decline in the oil and gas reserves-to-production ratio that occurred from 1990-95, which was 11.5 to 7.3 for oil (0.84 per year) and 7.6 to 6.0 for gas (0.32 per year). | *In FY 1999, show a reduction in the rate of decline in the oil reserves-to-production ratio to a level of .82 per year. |
| | | *In FY 1999, show a reduction in the rate of decline in the gas reserves-to-production ratio to .31 per year. |
| | By 2002, show an increase in annual OCS production above the 1996 level of 429 million barrels of oil, 5.0 trillion cubic feet of gas, 2.1 million long tons of sulphur, and 0.81 million cubic yards of sand and gravel. | *In FY 1999, show an increase in annual oil production to not less than 554 million barrels. |
| | | *In FY 1999, show an increase in annual gas production from the OCS to 4.9 trillion cubic feet. |
| | | *In FY 1999, reach an annual sulphur production of 2.1 million long tons. |
| | | *In FY 1999, reach an annual production level of 25.4 million cubic yards of sand. |
| **Improve the timeliness and accuracy of payments to states, Indian tribes, BIA offices, and other federal agencies.** | Through 2002, maintain or increase the percentage of the collected dollars and accompanying information that is provided timely to states and Indians. | In FY 1999, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98.7 percent. |
| | By 2002, decrease the late disbursement interest costs to $30,000 per year. | *In FY 1999, late disbursement interest costs are targeted at $45,000. |

[1] FY 1999 Annual Performance Goals that are not in the FY 2000 or FY 2001 Annual Performance Plans are marked with an asterisk.

| Target Performance | Actual Results | Comments |
|---|---|---|
| .820 | .33 | Exceeded target, largely as a result of a significant increase in deep water discoveries, caused in part by the Deepwater Royalty Relief Act and our efforts to make tracts available and to make exploration viable and attractive. |
| .310 | .11 | Exceeded target, largely as a result of a significant increase in deep water discoveries, caused in part by the Deepwater Royalty Relief Act and our efforts to make tracts available and to make exploration viable and attractive. |
| 554 million barrels | 499 million barrels | Goal not met. Prices were low for a good portion of the year, so some anticipated deep water projects were put on hold by industry. |
| 4.9 trillion cubic feet | 5.0 trillion cubic feet | Goal met. (However, this figure is an estimate based on partial year actuals.) |
| 2.1 million long tons | 1.5 million long tons | Goal not met. Industry did not produce as much due to price. |
| 25.4 million cubic yards | 0 | Goal not met. Local governments did not initiate any requests to negotiate leases for federal sand. |
| 98.7% | 98.15% | Goal not met. The percentages of dollars and information provided timely to states and Indians are based on the average of monthly federal disbursements and monthly Indian distributions of information.<br><br>In FY 1999, federal disbursements to states achieved 98.75%. However, Indian information distribution reached only 97.53%. Because of our Indian trust responsibilities, we purposely ensure a greater amount of accuracy before distributing Indian information; thus, the lower rate. |
| $45,000 | $40,804 | Exceeded goal. Certain extraordinary events (payback of large net receipt amounts to states, based on policy calls) were excluded from this calculation. |

# *At-a-Glance View of Minerals Management Service's FY 1999 Performance* *continued*

| GPRA Mission Goal | Long-Term Goal | FY 99 Annual Goal [1] |
|---|---|---|
| **Improve the cost effectiveness of mineral royalty collection and disbursement services.** | By 2001, increase the percentage of royalty reports, production reports, and dollars received electronically to<br>• 99 percent for royalty reporting<br>• 99 percent for production reporting, and<br>• 96 percent for dollars received. | *In FY 1999, increase the percentage received electronically for royalty reports to 96 percent. |
| | | *In FY 1999, increase the percentage received electronically for production reports to 95 percent. |
| | | *In FY 1999, increase the percentage of dollars received electronically to 95 percent. |
| **Improve reporters' compliance with lease terms, rules, regulations, and laws.** | Through 2002, maintain or increase the percentage of royalty and production reports submitted by reporters without fatal errors. | *In FY 1999, the percentage of royalty and production reports submitted without fatal errors is 97.5 percent. |
| | By 2002, achieve a compliance index (actual voluntary royalty payments/expected royalty payments) of .98. | In Calendar Year 1999, achieve a compliance index (calculated on the year 1997) of .975. |
| **Provide Indian tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program.** | By 2002, increase the number of Indian tribes that take part in one or more educational opportunities or that assume one or more functional responsibilities. | *In FY 1999, increase the number of Indian tribes having system access to 15. |
| | | *In FY 1999, increase the number of Indian tribe training IPA's or internships to five. |
| | | *In FY 1999, increase the number of Indian tribes assuming functions (audits, etc.) to eight. |

[1] FY 1999 Annual Performance Goals that are not in the FY 2000 or FY 2001 Annual Performance Plans are marked with an asterisk.

| Target Performance | Actual Results | Comments |
|---|---|---|
| 96% | 81% | Goal not met. MMS published a final rule July 15, 1999, requiring electronic reporting effective November 1999, excluding hardship cases. The MMS plan has slipped for out-sourcing the conversion and ongoing support of the required electronic infrastructure, but a contractor is on board. |
| 95% | 52% | Goal not met due to a recent management decision. Based on company input, electronic reporting will not be required on Form MMS-3160 (87% of production reporting is done on this form) because Form 3160 will be eliminated after we reengineer. |
| 95% | 93% | Goal not met. Offshore lease sale bonuses, which are large dollar amounts that are always paid electronically, significantly impact this percentage. Dollars received for offshore lease sales in FY 1999 were lower than in FY 1998, thus impacting the overall percentage. |
| 97.5% | 95.87% | Goal not met. This goal is linked to the electronic reporting goals above. Because electronic reporting conversion has slipped, we did not achieve this goal. |
| .975 | .9809 | Exceeded target. This is an annually calculated index. The actual index reported in calendar year 1999 is for calendar year 1997. |
| 15 | 14 | We did not meet this goal, but we will continue to encourage tribes to take advantage of this opportunity. |
| 5 | 4 | Goal not met. Tribal candidates must meet or exceed the basic qualifications for the prospective work. They also may need to devote full time to this program for several months, possibly up to two years. Tribes have difficulty locating members who meet these criteria. |
| 8 | 8 | Goal met. |

# Appendix II

## UPDATED FY 2000 ANNUAL PERFORMANCE PLAN

## *Minerals Management Service's FY 2000 Revised Final Goals*

We have revised our FY 2000 goals to align the FY 2000 Annual Performance Plan with our revised *Strategic Plan for FY 2000-2005*, which will be published in March 2000. The following goals reflect final performance targets under the enacted FY 2000 budget and the revised strategic plan:

| Mission Goal | Long-Term Goal | FY 2000 Annual Performance Goal |
|---|---|---|
| **Ensure safe OCS mineral development.** | Maintain or show a decrease in the average annual index of .594. | Achieve an accident index not greater than 0.594. |
| **Ensure environmentally sound OCS mineral development** | By 2005, show a decrease in the environmental impact index from the 2000 baseline. | Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline. |
| | By 2002, show a decrease in the amount of oil spilled below the 1992-1996 average level of 5.09 barrels spilled per million barrels produced. | In FY 2000, show a decrease in the amount of oil spilled to a level of 5.06 barrels spilled per million barrels produced. |
| **Ensure that the public receives fair market value for OCS mineral development.** | From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1. | By the end of FY 2000 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1. |

| Mission Goal | Long-Term Goal | FY 2000 Annual Performance Goal |
|---|---|---|
| **Provide revenue recipients with access to their money within 24 hours of the due date.** | By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received. | In 2000, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98 percent. |
| **Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.** | By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.<br><br>By the end of FY 2005, issue 95 percent of necessary orders and demands within three years of the due date. | In Calendar Year 2000, achieve a compliance index (calculated on the year 1998) of .9775.<br><br>In FY 2000, issue 95 percent of all orders for issues found during end-to-end processing for properties converted in 1999. |
| **Fulfill our mineral revenue Indian trust responsibilities.** | By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and with dual accounting for the time period 1984-2005.<br><br>By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005. | By the end of FY 2000, ensure 60 percent of Indian gas producing properties are in compliance with major portion and 30 percent are in compliance with dual accounting for the time period 1984-2000.<br><br>By the end of FY 2000, ensure 15 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2000. |

## DISCONTINUED GOALS

The following goals, which were included in the February 1999 version of the Minerals Management Service's FY 2000 Annual Performance Plan, have been discontinued:

### OFFSHORE MINERALS MANAGEMENT PROGRAM

### Mission Goal: Ensure that the public receives fair value for OCS mineral development.

(Note—We are not dropping this Mission Goal, just one of the long-term goals.)

**Long-term Goal**
By 2002, decrease below the 1989-1996 average level of 7 percent the tracts classified as nonviable but on which a lessee makes a discovery within five years that a well is capable of producing in paying quantities.

**FY 2000 Annual Performance Goal**
Decrease 0.1 percent each year below the 1989-1996 average level of 7 percent the tracts classified as nonviable but on which a lessee makes a discovery within five years that a well is capable of producing in paying quantities.

**Explanation**
In evaluating this goal, we have decided that this measure is not a good stand-alone indicator of how well we are achieving our strategic outcomes. As a result, we have dropped this as a reportable goal for FY 2000 and beyond. We do think the measure has value as a management tool, and we will continue to monitor it internally.

### Mission Goal: Provide for mineral development on the OCS.

**Long-term Goal**
By 2002, show an increase in the annual number of leases on which exploratory wells are drilled above the 1992-96 average level of 250 leases.

**FY 2000 Annual Performance Goal**
Increase in the annual number of leases on which exploratory wells are drilled to 265.

**Long-term Goal**
By 2002, show a reduction in the rate of decline in the oil and gas reserves-to-production ratio that occurred from 1990-95, which was 11.5 to 7.3 for oil (0.84 per year) and 7.6 to 6.0 for gas (0.32 per year).

**FY 2000 Annual Performance Goals**
Reduce the rate of decline in the reserves-to-production ratio to 0.82 per year for oil and to 0.31 per year for gas.

**Long-term Goal**
By 2002, show an increase in annual OCS production above the 1996 level of 429 million barrels of oil, 5.0 trillion cubic feet of gas, 2.1 million long tons of sulphur, and .81 million cubic yards of sand and gravel.

**FY 2000 Annual Performance Goals**
Increase production to: 601 million barrels of oil, no less than 4.9 trillion cubic feet of natural gas, no less than 2.1 million long tons of sulphur, and 21.5 million cubic yards of sand and.

**Explanation**
The MMS is dropping the above "production" goals for FY 2000 and beyond. They are market driven and depend on oil and gas prices. Our philosophy is to manage the OCS to achieve a balance that meets all laws and policies and allows businesses to make good decisions, not necessarily to increase production. MMS is not a business partner with industry, and the decision to produce is a business decision. Because we cannot directly influence industry production decisions, we have come to the conclusion that production-related goals

are not truly indicative of our performance and influence. We will continue to monitor and report them, but not as targeted GPRA goals.

## ROYALTY MANAGEMENT PROGRAM

We are dropping these goals for FY 2000 and beyond because we revised all of RMP's mission and long-term goals in the FY 2000 to 2005 Strategic Plan, and developed new annual performance goals in our FY 2001 Annual Performance Plan. We revised our goals this year because of several reasons, including:

- recommendations from Congress, OMB, and others that agencies try to focus on a "vital few" goals in their plans;
- RMP's reengineering initiative, which is due to be implemented in FY 2001; and
- our experience with prior measures, which we believe served their purpose, but are not expansive enough to properly measure our performance in the future.

However, we will continue to internally monitor these goals because we believe they are indicators that relate to our new goals.

### Mission Goal:
### Improve the timeliness and accuracy of payments to states, Indian tribes, BIA offices, and other federal agencies.

**Long-term Goal**

By 2002, decrease the late disbursement interest costs to $30,000 per year.

**FY 2000 Annual Performance Goal**

In 2000, the late disbursement interest costs are targeted at $40,000 per year.

### Mission Goal:
### Improve the cost effectiveness of mineral royalty collection and disbursement services.

**Long-term Goal**

By 2000, increase the percentage of royalty reports, production reports, and dollars received electronically to 99 percent for royalty reporting, 99 percent for production reporting, and 96 percent for dollars received.

**FY 2000 Annual Performance Goals**

By 2000, increase the percentage of royalty reports, production reports, and dollars received electronically to 99 percent for royalty reporting, 99 percent for production reporting, and 96 percent for dollars received.

### Mission Goal:
### Improve reporters' compliance with lease terms, rules, regulations, and laws.

**Long-term Goal**

Through 2002, maintain or increase the percentage of royalty and production reports submitted by reporters without fatal errors.

**FY 2000 Annual Performance Goal**

In 2000, increase the percentage of royalty and production reports submitted by reporters without fatal errors to 98 percent.

### Mission Goal:
### Provide Indian tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program.

**Long-term Goal**

By 2002, increase the number of Indian tribes that take part in one or more educational opportunities or that assume one or more functional responsibilities.

**FY 2000 Annual Performance Goals**

In 2000, increase the number of Indian tribes having system access to 16, taking part in training IPA's or internships to five, and assuming functions (audits, etc.) to nine.

## REVISED FINAL FY 2000 BUDGET TABLE

| Mission Goal | FY 2000 Enacted ($000) |
|---|---|
| Ensure safe OCS mineral development. | 54,063 |
| Ensure environmentally sound OCS mineral development. | 55,735 |
| Ensure that the public receives fair market value for OCS mineral development. | 32,099 |
| Provide revenue recipients with access to their money within 24 hours of the due date. | 25,011 |
| Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date. | 51,535 |
| Fulfill our mineral revenue Indian trust responsibilities. | 21,873 |

*All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs.*

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