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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

ENERGY AND MINERALS  
DIVISION

B-208518



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AUGUST 26, 1982

The Honorable James G. Watt  
The Secretary of the Interior

Dear Mr. Secretary:

Subject: Improvements Needed in the Cash Management Practices  
of Interior's Simultaneous Oil and Gas Leasing Program  
in Wyoming (GAO/EMD-82-122)

While reviewing the Department of the Interior's subject program, we identified poor cash management practices that warrant your immediate attention. Despite Treasury and Interior Department requirements, the Wyoming State Office of Interior's Bureau of Land Management (BLM) does not promptly deposit filing fee payments it receives from lease applicants, nor does it adequately control and safeguard those payments. As a result, the Government's cash position is adversely affected, and opportunities exist for loss or theft of the payments.

During the first three 1982 drawings (in January, March, and May), the Wyoming office collected almost \$23 million in filing fees. Its future collections are expected to be even greater. The fees it collected during the January and March drawings were for the States of Wyoming, Kansas, and Nebraska; those it collected during the May drawing included Colorado and Nevada as well.

By the November 1982 drawing, the Wyoming office will collect the filing fees for all States in which the program operates. An Interior study estimated annual filing fee receipts of from \$150 million to \$225 million a year.

Timely deposit of such payments increases the Government's cash position, thereby reducing Treasury's need to borrow money and pay the corresponding interest charges. Thus, had the Wyoming office promptly deposited the \$23 million it collected from the first three 1982 drawings, we estimate that it could have saved the Government over \$250,000 in interest charges. This figure would continue to increase as Wyoming takes over the drawing responsibility for other States.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review objective was to determine if the Wyoming office, in operating its simultaneous oil and gas leasing program, was following good cash management practices and was maintaining adequate

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controls over filing fee payments. We conducted our review at BLM headquarters in Washington, D.C., and at BLM's Wyoming State Office in Cheyenne, Wyoming. We interviewed officials from these offices and observed the processing of filing fee payments. We did not examine cash management practices for filing fee receipts at other BLM State offices, because the function will soon be centralized in Cheyenne, Wyoming.

We also examined pertinent cash management requirements set out by the Department of the Treasury's Fiscal Requirements Manual. We obtained BLM officials' oral comments on a draft of this report and incorporated them as appropriate.

We performed our review in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

CURRENT CASH MANAGEMENT PRACTICES  
ARE NOT IN ACCORDANCE WITH TREASURY  
REQUIREMENTS OR SOUND ACCOUNTING PRINCIPLES

Although Treasury's Fiscal Requirements Manual and Interior's Departmental Directives specify procedures to assure effective and efficient cash management, the Wyoming office does not follow these procedures.

To expedite the flow of funds to the Government, according to Treasury's Fiscal Requirements Manual (Part 6, Section 8030) and Interior's Departmental Directives (338 DM 1.4B), agencies are to (1) design their processing systems to separate payments received from accompanying accounting documents at the initial stage of processing and (2) deposit the payments promptly. The frequency of deposits is determined by the daily dollar volume of funds received by the depositing office. The basic requirements covering frequency of deposits are as follows:

--Receipts of \$1,000 or more will be deposited on a daily basis.

--Receipts of less than \$1,000 may be accumulated and deposited when the total reaches \$1,000; however, deposits will be made no less frequently than weekly, regardless of the amount accumulated.

Since the Wyoming office makes its deposits with a local commercial bank, the following requirement also applies:

--For deposits made over the counter with commercial bank depositories, the depositor will establish a "cut off" time at the latest practical time so that the maximum amount of funds will be deposited each day. Depositors will endeavor to limit their deposits to no more than one each day.

Generally, to maintain a record of receipts, payments are either entered into a register or photocopied.

In spite of these requirements and sound accounting practices, the Wyoming office neither

--records filing fee payments as they are received,

--separates the payments from accompanying accounting documents at the initial processing stage, nor

--deposits the payments promptly.

Instead of recording the filing fee payments upon receipt and separating them from the accompanying lease applications, the Wyoming office keeps the payments and applications together throughout numerous processing steps. Only after these processing steps are completed, which can take about 6 weeks, are the payments deposited. For example, between May 10 and May 21, the office received almost \$9 million in filing fee payments for the May 1982 drawing, but did not deposit them until June 10 to 18.

In addition to their financial impact on the Government, these inadequate cash management practices create opportunities for theft or loss of the filing fee payments. Because the Wyoming office does not record payments upon their receipt, it does not know how much has been received until weeks later, when the payments are deposited. Thus, loss or theft of payments in the interim could conceivably go undetected. The office's physical security measures are also suspect. During the lengthy processing period, the payments and applications are kept together in a small room rather than in a safe. Because the room is located in a large work area for a number of personnel, we believe it would be difficult to limit access to this room.

Officials in the Wyoming office told us that they were aware of the problems created by keeping the checks on hand and that they had been talking to BLM headquarters staff about making changes to speed up deposits. In fact, they had attempted a procedural change for the July 1982 drawing; they had planned to photocopy the payments upon receipt and to make daily deposits. However, according to these officials, limited staffing delayed normal processing, and they had to drop the new procedure. Also, during the July drawing, the Wyoming office collected filing fees for additional States, which increased its already heavy workload. However, Wyoming office officials informed us that they will again try the new procedure, with additional staffing, for the September 1982 drawing. BLM headquarters officials advised us that an additional four or five people will be assigned to assist in the September drawing.

#### CONCLUSIONS AND RECOMMENDATIONS

The Wyoming office's cash management practices need improvement. The office does not record simultaneous oil and gas filing fee

payments upon their receipt. Additionally, in processing and depositing these payments, the office does not adhere to Treasury's Fiscal Requirements Manual and Interior's Departmental Directives.

Timely deposits are particularly important, for a number of reasons. For example, timely deposits

- increase the Government's cash flow, thereby precluding unnecessary borrowing and interest payments by the Treasury and
- lessen the risk of payment loss or theft.

Therefore, we recommend that you require the Director, BLM, to

- record simultaneous oil and gas filing fee payments upon their receipt and
- adhere to the prescribed cash management procedures.

BLM officials agree with our findings and recommendations and have indicated that corrective action will be taken.

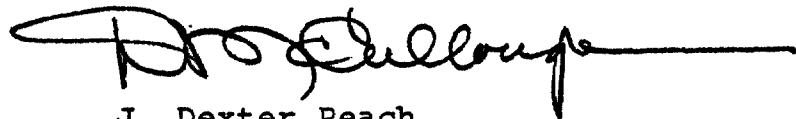
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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations. This written statement must be submitted to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of this report. A written statement must also be submitted to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this report.

We are sending copies of this report to the chairmen of the four committees mentioned above; the chairmen of the energy-related congressional committees; the Director, Office of Management and Budget; and the Director, BLM.

We appreciate the courtesy and cooperation extended to our staff during the review and would appreciate being informed of any actions taken as a result of our recommendations.

Sincerely yours,



J. Dexter Peach  
Director