



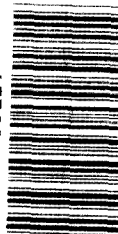
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-215060

NOVEMBER 20, 1984

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The Honorable John D. Dingell
Chairman, Subcommittee on
Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

RELEASED

Dear Mr. Chairman:

Subject: Improvements Needed in the Department of the
Interior's Acquisition of Geophysical Data
(GAO/RCED-85-9)

As requested in your July 26, 1983, letter, we have reviewed the Department of the Interior's policies and practices for acquiring geophysical data.¹ Geophysical data are gathered by analyzing the earth's subsurface using seismic and other techniques and are important to the Minerals Management Service (MMS) in its evaluation of petroleum potential on offshore lands.²

The Outer Continental Shelf Lands Act Amendments of 1978 require that companies conducting exploration and development of offshore oil and gas provide geophysical data to the Secretary of the Interior upon his request, and that Interior pay companies for the reasonable costs of processing and reproducing, but not for acquiring, such data. We found, however, that MMS has not ensured that the amounts it pays companies for geophysical data are allowable and reasonable. For example, we found that MMS paid non-allowable acquisition costs³ and widely varying amounts for

¹We reported on Minerals Management Service's (MMS') practices for safeguarding these data in a letter to the Director, MMS, dated May 24, 1984, and plan to report to you on the adequacy of the data which MMS uses to manage the offshore leasing program early next year.

²The Secretary of the Interior established MMS on January 19, 1982. MMS is responsible for activities previously handled by the Conservation Division of the U.S. Geological Survey. We refer to MMS in this report for Geological Survey activities relating to the procurement of geological and geophysical data in fiscal years 1981 and 1982.

³Acquisition costs refer to the costs of collecting data (ship, crew, equipment, etc.).

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processing similar data. In addition, MMS lacked a standardized basis for ascertaining whether the costs charged by companies to reproduce the data were reasonable.

As a result of our review, MMS issued a Policy and Procedures Memorandum on April 11, 1984, which provides guidelines for contracting officers to use in obtaining cost and pricing information from companies. The policy memorandum also requires contracting officers to document the rationale for the price negotiated and provides audit guidelines. If properly implemented, this memorandum should help ensure that amounts paid for geophysical data will be allowable and reasonable. However, the memorandum does not establish a standard or provide guidance for ascertaining the reasonableness of reproduction costs.

On the basis of our work, we also believe the Congress should consider amending the Outer Continental Shelf Lands Act Amendments of 1978 (Public Law 95-372) to provide that the government not be required to pay for the costs of processing⁴ data if the company had already processed the data for its own use and thus incurred no additional processing cost in providing the data to MMS. During fiscal years 1981 through 1983, MMS paid companies almost \$24 million for processing data.

FEDERAL RESPONSIBILITIES FOR
ACQUIRING OFFSHORE DATA

The Department of the Interior (Interior) has primary responsibility for setting the terms and conditions under which companies acquire and develop offshore oil and gas leases. Within Interior, MMS has the day-to-day responsibility for management of the outer continental shelf (OCS) lands. The OCS Lands Act Amendments of 1978 require that companies exploring, developing, or producing offshore oil and gas must provide geological and geophysical data to the Secretary of the Interior upon request. The Amendments and Interior regulations require Interior to pay permittees⁵ for reasonable costs of processing and reproducing the data but not for acquiring them. However, if the data are gathered by a lessee as a condition of its lease, Interior pays only for the costs of reproducing the data.

MMS acquires data collected by (1) companies whose business is collecting and selling data to oil companies and (2) oil

⁴Processing is changing the form of data to aid interpretation and is usually done by computer.

⁵Permittees are companies which collect data to assess potential mineral resources on the OCS under conditions of a permit issued by MMS.

companies, or groups of oil companies, for their own use. MMS primarily acquires common depth point (CDP) seismic data⁶ which are used for planning lease sales and evaluating whether amounts bid for leases are adequate. Since 1968, MMS has acquired over 750,000 line-miles⁷ of CDP seismic data.

MMS analyzes and interprets the data in order to

--map proposed lease offerings and identify areas having potential energy and mineral resources,

--locate and map geologic structures capable of trapping hydrocarbons, and

--establish values for determining the adequacy of bids received at a lease offering.

OBJECTIVE, SCOPE, AND METHODOLOGY

This review responds to a request from the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, that we review, among other things, Interior's policies and practices for acquiring geophysical data. Our objective was to determine whether payments for these data were allowable and reasonable.

We conducted our review from August 1983 through June 1984 at MMS headquarters and its four OCS regional offices--the Alaska region in Anchorage, Alaska; the Atlantic region in Vienna, Virginia; the Gulf of Mexico region in Metairie, Louisiana; and the Pacific region in Los Angeles, California. We reviewed contracts for the acquisition of data at MMS' Central Administrative Service Center in Denver, Colorado, which administers contracts for the Gulf of Mexico and Pacific OCS regional offices; MMS' Procurement Division in Herndon, Virginia, which administers Atlantic OCS Regional Office contracts; and the Alaska Administrative Service Center, which administers contracts for the Alaska OCS Regional Office.

We examined all fiscal year 1981 through 1983 contracts which exceeded \$10,000. We limited our review to data purchases greater

⁶Common depth point seismic data are those geophysical data obtained by recording the reflection of sound (seismic) waves from the same subsurface point. By measuring the various speeds at which these waves are reflected, judgments are made about oil and gas potential.

⁷Line-mile is a measure of the distance over which the seismic data are collected.

than \$10,000 because they covered almost 90 percent of contract dollars awarded. In all, we reviewed 95 contracts as follows:

	<u>Number of contracts</u> (over \$10,000)	<u>Line-miles of data</u> (in thousands)	<u>Cost</u> (\$ millions)
FY 1981	26	83.3	\$ 6.2
FY 1982	33	163.5	9.7
FY 1983	<u>36</u>	<u>135.1</u>	<u>12.4</u>
Total	<u>95</u>	<u>381.9</u>	<u>\$28.3</u>

In order to determine whether MMS only reimbursed costs allowable under OCS Lands Act Amendments, we analyzed information available in contract files. We also analyzed contract file documentation, including negotiation summaries and contractor pricing proposals, to determine compliance with federal procurement regulations.

To determine whether payments for geophysical data were reasonable, we identified purchases of similar data for which there were major price differences. We judgmentally selected 12 instances, involving 20 contracts, and discussed these cases with MMS contract and technical officials to determine reasons for these differences.

We interviewed MMS contracting officers, price analysts, and MMS' Chief of Procurement Policy. In addition, we talked to the Data Acquisition Chiefs in the Alaska, Pacific, and Gulf of Mexico regional offices and the Assistant Regional Supervisor, Atlantic regional office, about how technical data processing and reproduction costs affect data prices. For information on policy guidance and data acquisition regulations, we contacted MMS' Geophysical Team Leader, Resource Evaluation Chief, and Chief of MMS' Branch of Geological and Geophysical Studies.

We also talked to officials from three companies which gather and process geophysical data about differences in processing costs and officials from seven companies which reproduce geophysical data about the costs of reproduction.

We conducted our review in accordance with generally accepted government auditing standards except that we did not obtain agency comments on this report. We did, however, brief MMS officials on the results of our review--including review methodology, data sources, and conclusions and recommendations. Their views have been incorporated in the report where appropriate.

We also did not obtain comments from permittees which would be affected by one of our report recommendations.

MMS HAS NOT ENSURED THAT IT IS PAYING
ONLY ALLOWABLE AND REASONABLE COSTS TO
ACQUIRE GEOPHYSICAL DATA

We found that in 2 of the 95 contracts issued during fiscal years 1981 through 1983, MMS paid companies for acquisition costs which are not allowed by the OCS Lands Amendments of 1978 and Interior regulations. Also, we found that MMS paid widely varying prices for similarly processed geophysical data; however, MMS officials could not fully explain the reasons for these differences, and the differences were not documented in contract files. Although MMS adopted the Federal Procurement Regulations⁸ as a basis for contracting for geophysical data, these regulations were not always followed. We found, for example, that contracting officers often did not require cost or pricing information and rarely requested audits of proposed contracts. We also found that contracting officers did not separately identify acquisition and processing costs, as required by Interior regulations. Following these procedures would have helped ensure that only allowable and reasonable prices were paid.

Nonallowable costs have been paid

We found two contracts where MMS paid companies for costs which were not allowable. The OCS Lands Act Amendments of 1978 and Interior regulations require MMS to pay companies for reasonable costs of processing and reproducing data; however, MMS is not authorized to pay companies for their costs of acquiring data. The following shows instances where MMS inappropriately paid companies for the costs of acquiring data:

--In 1983, MMS' Atlantic regional office purchased 2,472 line-miles of CDP seismic data. The company billed MMS at \$55.85 per-line-mile, which included: (1) \$41.35 for basic field services, (2) \$12.00 for processing, and (3) \$2.50 for reproduction. MMS approved the payment request and paid the company \$138,053. A company official told us that the amount billed for "basic field services" included acquisition costs. Contract files showed that in 1981 and 1982, the same company had also billed MMS for similar costs, but payment was disallowed after the contracting officer determined that basic field services included acquisition costs. MMS officials were unable to explain

⁸The Federal Procurement Regulations applied to most government purchases of goods and services prior to 1984 and were replaced by the Federal Acquisition Regulations in April 1984. Throughout this report, where we refer to federal procurement regulations, we mean the applicable regulations in effect at the time.

why payment for basic field service costs had been allowed in the 1983 contract. However, after we informed MMS officials that they had improperly paid the company for acquisition costs in the 1983 contract, they sought repayment from the company, and on July 13, 1984, the company repaid MMS \$94,474 for the nonallowable costs (less \$5,700 for outstanding billing owed by MMS).

--In a Gulf of Mexico region contract issued in 1983, MMS paid a company \$21,074 for 113.5 line-miles of CDP seismic data. MMS paid the company's catalog price⁹ which included acquisition costs. MMS officials said they paid the company's catalog price for this because the data were gathered by the company before the OCS Lands Act Amendments of 1978 prohibited payment for acquisition costs. However, the permit issued to acquire the data specifically stated that payment would be governed by the regulations in effect at the time payment was requested. The regulations in effect at the time payment was requested prohibited payment of acquisition costs. On the basis of MMS' estimate that acquisition costs account for between 50 and 85 percent of total costs, we calculate that MMS paid unallowable costs of between about \$10,537 and \$17,913 for this contract. MMS has begun attempts to recover these overpayments.

MMS unable to explain large differences in processing costs

In evaluating whether MMS had ensured that charges for processing data were reasonable, we found large differences within regions and among companies in the amounts MMS paid. The following table shows that during fiscal year 1983, MMS paid companies from \$15 to \$386 per-line-mile for processing costs associated with obtaining seismic data.

<u>OCS regional office</u>	<u>Range of processing costs per-line-mile for CDP seismic data in fiscal year 1983</u>
Alaska	\$29 - \$228
Pacific	57 - 275
Atlantic	15 - 386
Gulf of Mexico	17 - 322

⁹Established catalog prices are contained in a catalog, price list, or other verifiable record which shows the last or current sales price available to the general public.

MMS officials said that many factors affected the costs of processing data. The officials said that, generally, processing costs can vary depending on the (1) amount of data sampled (stacking), (2) volume of data collected, (3) filters used,¹⁰ (4) technique used to enhance the data,¹¹ and (5) computer routines used. MMS Pacific and Gulf of Mexico OCS regional officials said that another significant factor affecting processing costs is the type of seismic survey.¹²

In comparing the varying amounts paid for seismic data, we judgmentally selected 12 instances involving 20 contracts, where the factors affecting processing costs were similar. In 8 of the 12 instances, MMS officials were unable to explain or document why MMS had paid different amounts for similarly processing the data. For example:

--MMS' Atlantic OCS region paid a company \$63 per-line-mile in fiscal year 1982 and paid the same company \$386 per-line-mile in fiscal year 1983 for similarly processed data. MMS regional officials could not explain the price differences. Also, MMS' Chief, Procurement Policy Branch, said that the contracting officer who paid \$386 per-line-mile was not aware of the substantially lower prices paid the prior year for similarly processing the data.

--In July 1983, MMS' Pacific OCS region paid about \$275 per-line-mile to an oil company for CDP seismic data. A similar purchase from another oil company in January 1983 cost \$69 per-line-mile. The contracting officer could not explain, nor did the contract file document, why the July 1983 purchase was more costly. He initially said that the data which cost \$275 per line had been collected by a method which required more expensive processing. When we pointed out that the records indicated that the July 1983 data were collected by a generally less expensive method, he said that a lower price would have been negotiated had he known the less expensive method had been used. However, he would not speculate on how much lower the payment would have been.

¹⁰Filters eliminate sound frequencies that do not carry seismic information, e.g., unwanted extraneous noise.

¹¹Enhancement, or bright spot analysis, uses the velocity effect of gas to determine the proportion of gas in the subsurface rock.

¹²Type of seismic survey refers to whether a geophysical company collects the data for resale or a company or companies gather the data for their own use.

--In a September 1982 contract, MMS' Pacific OCS region paid a company for data collected under three permits. MMS paid \$61 per-line-mile for data collected under one permit, \$100 per-line-mile for another permit, and \$110 per-line-mile for the third permit. However, neither the MMS Pacific region's contracting officer who acquired the data nor its Data Acquisitions Chief, who was responsible for requesting the data, could explain why processing costs varied for data processed in the same manner and acquired under the same contract. A company field supervisor told us that the company used more computer time to process the seismic data collected under the more expensive permits. However, this reason was not documented in the contract files nor did MMS officials cite it as a reason for the cost differences.

--During fiscal year 1983, MMS' Gulf of Mexico OCS region paid a company for data collected under two permits. Although processing techniques were similar, data from one permit cost almost \$146 per-line-mile compared with \$231 per-line-mile for the other permit. The contracting officer said that the price difference could not be explained.

Unexplained and undocumented price differences indicate that MMS has not always assured that only allowable costs are paid and that processing costs are reasonable. MMS recognizes that unexplained and undocumented pricing differences exist. In November 1983, the price analyst who conducted MMS' first procurement management review wrote:

"Internal assessments have indicated inconsistencies in the application of Title 30 Section 251.13 to pricing of geological and geophysical (G&G) data Due diligence should be shown in acquiring the appropriate data, negotiating a fair and reasonable reduction, and documenting the reduction in the negotiation memorandum."

Acquisition costs not identified

Interior regulations require companies' requests for payment to contain sufficient detail to identify processing costs separately from acquisition costs. However, only 4 of 95 contracts we reviewed contained sufficient information to identify acquisition costs. Separately identifying acquisition and processing costs could help ensure that MMS only pays allowable costs. Requiring companies to separate acquisition costs from processing costs also is a clear means of letting companies know this is a cost which will not be paid. Further, companies' acquisition and processing costs can identify cost relationships and help ensure that payments are reasonable.

Certified cost or pricing
information not obtained

Federal procurement regulations require contracting officers to obtain cost or pricing data certified as being complete, current, and accurate for contracts greater than \$100,000 unless the contract was based on (1) adequate price competition, (2) established catalog or market prices,¹³ or (3) prices set by law or regulation. These data would help enable contracting officers ensure that payment requests were complete and accurate. However, of the 50 data acquisitions¹⁴ over \$100,000, 19 did not include signed cost or price certificates¹⁵ nor did they have catalog or market price information. Certified cost or pricing data are important because if the data are found to be inaccurate, incomplete, or noncurrent as of the date of the signed certificate, the government is entitled to an adjustment of the negotiated price to exclude any significant sum by which the price was increased because of defective data.

Contracts rarely audited

Federal procurement regulations require that when proposals for firm fixed price contracts¹⁶ exceed \$100,000, contracting officers must request preaward audits or justify a waiver. We found, however, that only 1 of 50 geophysical contracts exceeding \$100,000 was audited during the past 3 fiscal years. The purpose of contract audits is to advise and make recommendations to the contracting officer concerning the propriety of payments to contractors.

We were unable to determine why contracts exceeding \$100,000 were not audited. Some contract files showed that an audit had been waived, whereas others had no documentation regarding audits. MMS' Chief of Procurement Policy could not explain why contracts

¹³Market prices are current prices established by buyers and sellers which can be substantiated by independent sources.

¹⁴MMS acquires data noncompetitively because such data have already been acquired and processed by companies.

¹⁵Cost or pricing data consist of verifiable information which can reasonably be expected to contribute to sound estimates of future costs as well as to the validity of costs already incurred. Certification consists of a statement signed by the seller that the data are current, complete, and accurate.

¹⁶Firm fixed price contract means a price is agreed to before a contract is awarded. MMS uses firm-fixed price contracts to purchase geophysical data.

exceeding \$100,000 had not been audited. However, he said that audit of one company was undertaken during our review but it had not been helpful because the audit organization was not familiar with procedures used to account for processing costs.

STANDARDS ARE NEEDED TO ASCERTAIN
REASONABLE REPRODUCTION COSTS

In addition to paying for processing costs, MMS must pay companies for the reasonable costs of reproducing geophysical data which are provided to MMS. Companies provide MMS with copies of the data which are reproduced on printing media ranging from paper to more expensive mylar film. However, we found that reproduction costs for similarly reproduced data varied significantly. For example, in the Gulf of Mexico OCS regional office, reproduction costs varied from \$0.69 to \$28 per-line-mile for similarly reproduced data.

In most contracts, MMS paid for reproduction costs on a line-mile basis. However, the amount of data reproduced on a given size of paper or mylar (therefore the amount of printing and the amount of paper or mylar used) varies depending on the reproduction scale, not on the number of line-miles of data reproduced. By paying companies on a line-mile basis, MMS was not assured that it was paying reasonable reproduction costs.

We contacted seven companies which reproduce geophysical data for MMS contractors. Officials from all seven companies said that they charge private industry clients on a square-footage basis. However, one company and one MMS Gulf of Mexico official said that it is more convenient when billing MMS for reproduction costs to charge on a line-mile basis because it is the same basis used to charge for processing costs.

MMS' Atlantic OCS assistant regional supervisor said that before MMS was created, its predecessor agency, the U.S. Geological Survey, used standard reproduction costs per-square-foot to determine the reasonableness of vendor prices. MMS officials, including the Chief of Procurement Policy, agreed that MMS could more consistently compare, and thus ensure, the reasonableness of reproduction costs if they were stated on a square-footage basis.

Interior regulations also require that MMS pay the reasonable cost of reproducing the data at (1) a company's or third party's lowest rate or (2) at the lowest commercial rate established in the area--whichever of these rates is lower. However, we found that MMS had not compared reproduction rates within different regions to ensure that they were paying the lowest price.

RECENT MMS ACTIONS TO ENSURE THAT
ONLY ALLOWABLE AND REASONABLE COSTS
ARE PAID FOR GEOPHYSICAL DATA

As a result of our audit and discussions with MMS officials, MMS issued a Policy and Procedures Memorandum on April 11, 1984. This memorandum provides specific guidance to help ensure that payments for data are reasonable and comply with applicable regulations. It directs contracting officers to obtain additional information on acquisition costs, if needed to assure the propriety and reasonableness of allowable costs, and to document the rationale for the price negotiated. The policy memorandum also requires a contractor to disclose acquisition costs, when requested by the contracting officer, and to certify that proposed charges do not include acquisition costs.

The April memorandum also requires that data be bought using cost and pricing techniques outlined in the new Federal Acquisition Regulations (FAR). FAR generally requires contracting officers to obtain certified cost or pricing data for contracts exceeding \$500,000 (raised from the previous \$100,000 threshold) unless the contractor claims an exemption in writing. If certified cost and pricing data are required, an audit must be requested unless the contracting officer documents reasons why an audit should be waived. For contracts of less than \$500,000, FAR requires that a price analysis be conducted.

We believe that implementation of this policy will help ensure that the amounts MMS pays companies for the costs of processing geophysical data are allowable and reasonable. However, the memorandum does not establish standards or provide guidance in paying for reproduction costs.

SHOULD COMPANIES BE REIMBURSED
FOR THEIR COSTS OF PROCESSING DATA?

Both geophysical and oil companies gather, process, and reproduce geophysical data for their own purposes and do so independently of Interior's right to acquire the data. Geophysical companies are in the business of gathering, processing, and reproducing data for resale to others. As such, they invest in equipment, obtain permits from MMS to acquire geophysical data, gather the data, and try to sell the data at a price which will recoup their investment costs and provide a profit. Oil companies, either singularly or as part of a group, gather and process geophysical data in a similar fashion, but their purpose is to use the data to identify the potential for oil and gas resources. If requested by MMS, both geophysical and oil companies must provide MMS with copies of the geophysical data.

As discussed earlier, the OCS Lands Act Amendments of 1978 require that when MMS requests geophysical data, permittees are paid for the reasonable costs of processing and reproducing the data, even though they have already processed such data for their own purposes. On the other hand, lessees are only required to be paid for their reasonable costs of reproducing the data. Further, the amendments recognize that both permittees and lessees incur additional expenses if the data are specifically processed in a different manner for MMS and, in such cases, require MMS to pay the company for the reasonable cost of processing the data in this manner. This distinction recognizes that both permittees and lessees incur additional costs to process the data in a special manner different from the way they normally process it.

We believe that the federal government should pay for any reproduction as well as special processing costs which a company incurs to provide geophysical data to MMS. However, we question whether the government should pay for processing costs when the data were gathered, processed, and used by a company for its own purposes and required no additional processing before being provided to the government. During fiscal years 1981 through 1983, permittees were paid almost \$24 million for processing costs and \$1.2 million for reproduction costs. MMS did not request any special processing of data during this time.

CONCLUSIONS

MMS has not ensured that it pays only allowable and reasonable costs for acquiring geophysical data. We found two instances where MMS improperly paid companies for acquisition costs. However, as a result of our review, MMS sought repayment from one company and received \$94,474. In the other contract, MMS paid a company the full catalog price for geophysical data, which included acquisition costs. MMS officials said they paid the catalog price because the data were collected before the OCS Lands Act Amendments of 1978, which prohibited payment for acquisition costs. However, we believe that MMS should not have paid for these acquisition costs, which are estimated to be between \$10,537 and \$17,913. MMS has begun attempts to recover these costs.

We also found large differences within MMS regions and among companies in the amounts paid for similarly processed geophysical data. Although MMS officials said that many factors affect the cost of processing data, we found contracts where MMS officials could not specifically explain or document reasons for the differences. Therefore, we believe the varying prices raise questions about whether MMS paid reasonable prices for data processing in all these instances.

Although the OCS Lands Act Amendments, Interior regulations, and federal procurement regulations specify how reimbursement requests should be handled, these were inconsistently applied by MMS. We found that during the last 3 fiscal years

- only 4 of the 95 contract files we reviewed contained sufficient information to separate acquisition costs from processing costs,
- 19 of the 50 contracts over \$100,000 which required cost and pricing certificates had signed certificates in the contract files, and
- only 1 of the 50 contracts exceeding \$100,000 had been audited.

During our review, MMS recognized that its procedures for acquiring geological and geophysical data were inadequate and issued a Policy and Procedures Memorandum on April 11, 1984. However, as discussed in this report, implementation of procurement procedures have been uneven in the past. We believe, however, that if properly implemented, these new policies and procedures should help ensure that the amounts MMS pays companies in the future for the costs of processing and reproducing geophysical data are allowable and reasonable.

We also found that MMS had not established any standards or guidelines for paying reproduction costs and, as a result, paid companies at varying rates without a sound basis. We believe reproduction costs lend themselves to measurement on a square-footage basis, according to the printing media used, and that MMS could then better ascertain the reasonableness of costs in different geographical regions.

Because both geophysical and oil companies gather, process, and reproduce geophysical data for their own use or resale, and do so independently of Interior's right to acquire the data, we question whether the government should pay companies for their costs of processing the data. The OCS Lands Act Amendments of 1978 provide that permittees, but not lessees, be paid for the costs of processing and reproducing any data requested by MMS. However, lessees are only paid for their reproduction costs. The act further recognizes that if the data are processed in a different manner for MMS, it must pay for the reasonable cost of processing the data in this manner. These distinctions recognize that companies only incur additional costs to process the data if it is done in a manner that is different from their normal processing. We believe that the federal government should only pay for any additional processing and reproduction costs which a company incurs to provide geophysical data to MMS.

RECOMMENDATIONS TO THE SECRETARY
OF THE INTERIOR

Because adherence to procurement procedures has been uneven in the past, we recommend that the Secretary of the Interior require the Director, Minerals Management Service, to monitor the implementation of the April 1984 Policies and Procedures Memorandum governing the acquisition of geological and geophysical data. In addition, we recommend that MMS establish guidelines for reproduction costs based on the cost per-square-foot in various regions as a standard for future purchases of data.

We also recommend that the Secretary direct the Director, Minerals Management Service, to take whatever actions are necessary to recover the nonallowable costs attributable to those contracts discussed earlier in this report and as otherwise appropriate.

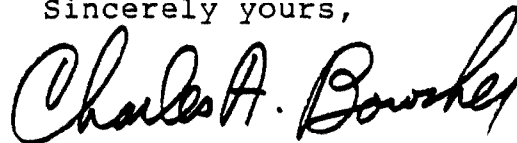
RECOMMENDATION TO THE CONGRESS

We recommend that the Congress amend the OCS Lands Act to require that whenever any data or information is provided to the Secretary of the Interior, both permittees and lessees be reimbursed only for the reasonable cost of reproducing such data and information if it is in the form and manner normally used by the company. If the Secretary requests the data in another form or manner than used by the lessee or permittee in its normal course of business, the Secretary must pay the reasonable costs attributable to this processing and reproduction.

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Unless this report is publicly announced by you, we plan no further distribution until 30 days from its publication date. At that time, copies will be sent to the Director, Office of Management and Budget; the Secretary of the Interior; other House and Senate committees and subcommittees having oversight and appropriation responsibilities for the offshore leasing and development program; and other interested parties.

Sincerely yours,



Comptroller General
of the United States