

TESTIMONY OF EARL E. DEVANEY
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BEFORE THE COMMITTEE ON NATURAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES
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Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify today about recent Office of Inspector General (OIG) reports that address a number of issues concerning the Minerals Management Service (MMS) at the Department of the Interior (Department or DOI).

I will keep my remarks brief today, as I believe that the body of our work over the last several years speaks for itself. From a programmatic standpoint, our earlier four reports – *Investigative Report on the Lack of Price Thresholds in Oil and Gas Leases in the Gulf of Mexico*, *Audit Report on Minerals Management Service Compliance Review Process*, *Investigative Report on Minerals Management False Claims Allegations*, and *Evaluation Report of Minerals Management Service Royalty-in-Kind Oil Sales Process* – were the most substantive in content. Our most recent three reports issued last week, of course, focused on egregious conduct by MMS employees.

It is important to note that we believe the single-most serious problem portrayed in these reports is a pervasive culture of exclusivity, exempt from the rules that govern all other employees of the Federal Government. Simply stated, the MMS employees named in these latest reports had a callous disregard for the rules by which the rest of us are required to play. Although it was not an inconsiderable number of individuals who accepted gifts and engaged in improper conduct, I believe it important to emphasize that the majority of employees in the Royalty in Kind Program were not part of such conduct, and perhaps, were not even aware of it. While the individuals involved in the improper contracting extended beyond RIK, this does not

implicate the whole of MMS. I reiterate my belief that 99.9% of DOI employees are ethical, hard-working and well-intentioned. Unfortunately, the conduct of a few does cast a pall over the whole, at least for a time.

I am also at a loss to explain the behavior of the oil and gas representatives involved in these matters. It is disingenuous for employees of such major organizations, each with highly touted ethics programs, to pretend that they thought it was permissible to provide Federal Government employees with gifts in excess of well known limits.

As you know, all seven of these OIG reports have made headlines, some more sensational than others. That, however, was never our goal. Rather, our goal has always been, and is today, to effect positive change. To this end, I must credit Secretary Kempthorne, Assistant Secretary Steve Allred and MMS Director Randall Luthi for their receptiveness and responsiveness to the findings and recommendations contained in all of our reports and particularly for taking swift action in response to the misconduct exposed in these most recent reports. Implementing controls and competencies, however, is far easier than imparting character. I am hopeful that our recommendations to the Secretary will help in this regard – that MMS 1) develop an enhanced ethics program designed specifically for the RIK program, to include an explicit prohibition against acceptance of any gifts or gratuities from industry, regardless of value; 2) develop a clear, strict Code of Conduct for the RIK program; and 3) consider a change to the reporting structure of RIK, an anomaly that contributed, in part, to misconduct going undetected by long-distance management.

I believe that the environment of MMS today is decidedly different than that described in our reports. While there is undoubtedly more that needs to be addressed, programmatic improvements must be matched with controls and strong oversight to ensure that this bureau,

which is so lucrative to the United States Treasury and the American Public, does not again veer wildly off track.

I suspect that it is now clear to this Committee, as well as to anyone else who has taken the time to read our reports, why I had identified the need for greater OIG monitoring over MMS, in general, and their royalty programs in particular. When I testified before this Committee in March of this year, I described the beginnings of what is now called our Royalty Initiatives Group, (aptly known as RIG) a modest unit, located in Denver, dedicated to royalties-related oversight and improvements. This group is currently responding to a congressional request to review the status of non-producing DOI leases. They will soon be conducting an audit of MMS' processes for verifying volumes delivered as RIK, including oil destined for the Strategic Petroleum Reserve. Ultimately, we would also like to expand our oversight coverage beyond MMS to the energy and minerals programs at the Bureau of Land Management and Indian Affairs. In another forum, I will undoubtedly be seeking your support for more funding in order to do everything I have laid out here, and more.

Mr. Chairman, I have deliberately kept my prepared remarks short today so that I can better answer all of the questions that you or other members undoubtedly have.