

A Performance Audit of Utah's Oil and Gas Program Summary

Audit Report: https://olag.utah.gov/olag-doc/19_11rpt.pdf

Why the Audit was Performed:

As part of an in-depth budget review for the Department of Natural Resources (DNR or department), our audit team conducted a risk assessment of the entire department. The amount of operational and environmental risk identified within the Division of Oil, Gas, and Mining (DOGM or division), necessitated the independent release of a full-scale audit of Utah's Oil and Gas Program (program).

Summary Findings:

- The Oil and Gas Program (program) in the Division of Oil, Gas and Mining (DOGM or division) needs to improve its oversight of Utah's oil and gas industry.
- Noncompliant issues are not resolved in a timely manner.
- Environmental hazards may have been prevented with increased oversight.
- Prioritization and oversight of inspections needs to improve.
- Record keeping is not consistent with policy.
- Lack of enforcement has led to increased risk.
- Management decisions regarding finances have led to funding reductions.
- Program and employee performance need to improve

Recommendations:

Chapter 2

1. We recommend that the Oil and Gas Program continue to resolve all outstanding noncompliant issues.
2. We recommend that the Oil and Gas Program review timelines for noncompliance and include appropriate steps toward achieving compliance resolution in program policy.
3. We recommend that the Oil and Gas Program require strict compliance to Administrative Rule.

Chapter 3

4. We recommend that the Oil and Gas Program ensure that inspectors are following the Weighted Inspection Tracking Program as outlined in program policy.
5. We recommend that the Oil and Gas Program continue to develop an evidence-based approach for inspection timelines ensuring that inspections are occurring regularly.
6. We recommend that the Oil and Gas Program finalize and implement program policy addressing compliance management.
7. We recommend that the Oil and Gas Program accurately document all observations for every inspection type in the program's database according to program policy.

Chapter 4

8. We recommend that the Oil and Gas Program use its statutory authority to ensure compliance with Utah Code and Administrative Rule.

Chapter 5

9. We recommend that the Oil and Gas Program develop a sustainable plan for building up program reserves over time.
10. We recommend that Oil and Gas Program management prioritize statute and Administrative Rule requirements over savings and ensure that all program requirements are fulfilled.

Chapter 6

11. We recommend that the Division of Oil, Gas, and Mining create and implement adequate performance metrics for the Oil and Gas Program.
12. We recommend that all divisions within the Department of Natural Resources create annual employee action plans and conduct annual employee evaluations to comply with Administrative Rule R477-10-1.

Chapter 7

13. We recommend that the Oil and Gas Program review and update Administrative Rule's current bonding requirements.
14. We recommend that the Oil and Gas Program consider implementing a regular bond review schedule.