MINUTE ITEM
This Calendar Item No. 18
was approved as Minute Item
No. 18 by the State Lands
Commission by a vote of 3
to 0 at its 4-7-81
meeting.

CALENDAR ITEM

3/81
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Maulorico

18

OPERATIONAL AUDIT OF THE LONG BEACH
TIDELAND OIL OPERATIONS - THUMS

At its meeting of September 24, 1980, the State Lands Commission selected the Certified Public Accounting Firm of Deloitte, Haskins and Sells (Consultant) to conduct an operational audit of the Long Beach Unit oil operations (THUMS), previously requested and authorized at its meetings of April 24, 1980, and May 29, 1980, respectively.

The objectives of the operational audit, initiated by the Consultant on October 31, 1980, were five-fold:

1. Determine if the interests of the State of California in the Wilmington Oil Field (Long Beach Unit) were being adequately protected by effective programs, procedures and internal controls.

2. Determine if the City of Long Beach (Unit Operator), Field Contractor (THUMS) and other parties to the Unit Agreement, Unit Operating Agreement and Contractor's Agreement were complying with the appropriate provisions of the contracts.

3. Determine how the systems, controls, procedures and practices compared with those generally followed in the petroleum industry.

4. Identify deficiencies in the internal controls or failures to meet the objectives noted above.

5. Provide recommendations for correcting deficiencies and for establishing or improving policies, procedures or internal controls where appropriate.

The operational audit has been completed at the contract price of $168,855 and representatives of Deloitte, Haskins and Sells are present to convey to the Commission the major findings, conclusions and recommendations of their effort.

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S 27, 31

IT IS RECOMMENDED THAT THE COMMISSION:

1. CONSIDER AND ACCEPT THE REPORT ON THE OPERATIONAL AUDIT OF THE LONG BEACH UNIT PREPARED BY THE CONSULTING FIRM OF DELOITTE, HASKINS AND SELLS.