

Oklahoma-based NGL Energy Partners plans to restate quarterly reports



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TULSA — NGL Energy Partners will restate its earnings for the past three quarters because of an improper accounting of royalty payments, the Tulsa-based oil and natural gas partnership said.

In a regulatory filing, NGL said it had not properly accounted for royalty payments associated with its water solutions segment. The restated earnings will result in an increase to goodwill, current liabilities, long-term liabilities and earnings for the first three quarters of the fiscal year ended March 31.

The partnership said it will correct its quarterly reports for the quarters ended Dec. 31, 2015; Sept. 30, 2015; and June 30, 2015. The annual report for the year ended March 31 will include corrected numbers when it is released, NGL said.

Besides correcting the earnings numbers, NGL said it is taking steps to prevent similar errors from happening again.

After an internal investigation NGL management "concluded that during the periods requiring correction, the partnership did not maintain effective controls over the identification of assets acquired and liabilities assumed in the partnership's business combination," NGL said in the regulatory filing.

Ineffective internal control

"Accordingly, the partnership's internal control over financial reporting and disclosure controls and procedures were not effective during the periods being corrected."

Tulsa money manager Fred Russell said the announcement doesn't make him question NGL or its management.

"If it were Enron or another company with dubious ethics, you would worry. But in this case, where the numbers were underreported, it's not a matter for forensics," said Russell, CEO of Fredric E. Russell Investment Management Co. "When you have something that's exaggerated, then you have to look at the character and personality of the business. You have to wonder what the ethics are, and you often find they are not reassuring. But in this case, it's just a matter of simple mistakes."

The situation can be fixed relatively easily, Russell said.

"The company recognized it, admitted it and didn't try to blame anyone for it. They are honest people, but they have to put in some more controls," he said. "They have to have more checks, but they will do that."

Despite the announcement, NGL's stock price gained ground Wednesday, adding 46 cents, or 3 percent to \$15.48 a unit.

"The fact that the stock went up shows you investors are not worried," Russell said. "The only bad thing here is that the mistakes are more work for the accountants and the outside accounting firm, which means more expenses for shareholders."