

# Supporting Statement A

## [Accounts Receivable Confirmations]

**OMB Control Number 1012-0001**

**Terms of Clearance:** None.

### **General Instructions**

A completed Supporting Statement A must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified below. If an item is not applicable, provide a brief explanation. When the question "Does this ICR contain surveys, censuses, or employ statistical methods?" is checked "Yes," then a Supporting Statement B must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

### **Specific Instructions**

#### **Justification**

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection.

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), 30 U.S.C. 1701 *et seq.*, states in Section 101(a) that the Secretary ". . . shall establish a comprehensive inspection, collection, and fiscal and production accounting and auditing system to provide the capability to accurately determine oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed, and collect and account for such amounts in a timely manner." The Secretary of the U.S. Department of the Interior defines the reports and reasonable information, as 30 U.S.C. 1713 describes, that the persons or entities must submit. Public laws that pertain to mineral revenues and govern the Office of Natural Resources Revenue (ONRR) are available at [http://www.onrr.gov/Laws\\_R\\_D/PublicLawsAMR.htm](http://www.onrr.gov/Laws_R_D/PublicLawsAMR.htm).

Under the Chief Financial Officers Act of 1990 (CFO), the Department's Office of Inspector General (OIG), or its agent (agent), audits all Department bureaus' financial statements. The Department's goal is for every bureau to receive yearly an unqualified opinion. Accounts receivable confirmations are a common practice in the audit business. Due to continuously increasing scrutiny on financial audits, third-party confirmation is necessary to confirm the validity of ONRR's financial records.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection. Be specific. If this collection is a form or a questionnaire, every question needs to be justified.

This collection of information is necessary to ensure that payors have paid royalties appropriately. Annual CFO audits verify that ONRR's financial records, which we base on the information we collect monthly on Form MMS-2014, Report of Sales and Royalty Remittance (OMB Control Number 1012-0004) and on Form MMS-4430, Solid Minerals Production and Royalty Report (OMB Control Number 1012-0010), agree with payors' records.

As part of CFO audits, the agent selects royalty payors at random and provides the companies' names and addresses to ONRR. The agent mails the letters to the payors, instructing them to respond directly to the agent to confirm the accuracy and/or validity of selected royalty receivable items and amounts. In order to meet CFO requirements, the letters must be on ONRR letterhead; and the Deputy Director for ONRR, or his or her designee, must sign the letters. The agent requests, by a specified date, third-party confirmation responses, confirming that ONRR's accounts receivable records agree with royalty payor records for the following items: customer identification; royalty/invoice number; payor-assigned document number; date ONRR received; original amount the payor reported; and remaining balance due ONRR.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden and specifically how this collection meets GPEA requirements.

The ONRR continues to strive for full implementation of the Government Paperwork Elimination Act. We collect most of the original information electronically on Forms MMS-2014 and MMS-4430. However, an electronic response to this request for information is not appropriate because accounts receivable confirmations require an original signature.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The information the agent requests for CFO audits is not available from any other source. No other Federal or state agency collects the same or similar information. The primary information is available only within the records of the payors, and the use of such data is unique to our mission.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

This collection of information does not have a significant economic effect on a substantial number of small entities; however, some small businesses or other small entities are among potential respondents.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

If ONRR does not collect this information, we will not be able to comply with the OIG request for financial record verification. The OIG could construe failure to collect this information as a scope limitation for CFO audits.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:
  - \* requiring respondents to report information to the agency more often than quarterly;

Not applicable in this collection.

- \* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;

Audit practice is to require a response within 10 days; therefore, we comply with the standard timeframes of the financial audit business.

- \* requiring respondents to submit more than an original and two copies of any document;

Not applicable in this collection.

- \* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;

Not applicable in this collection.

- \* in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study;

Not applicable in this collection.

- \* requiring the use of a statistical data classification that has not been reviewed and approved by OMB;

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v) through (viii). The ONRR does not conduct the sampling. See Section B for further explanation.

- \* that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or

This collection does not include a pledge of confidentiality not supported by statute or regulation.

- \* requiring respondents to submit proprietary trade secrets, or other confidential information, unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

This collection does not require proprietary, trade secret, or other confidential information not protected by agency procedures.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and in response to the PRA statement associated with the collection over the past three years, and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every three years — even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

As required in 5 CFR 1320.8(d), ONRR published a 60-day notice in the *Federal Register* on August 26, 2011 (76 FR 53487). We did not receive any comments in response to the *Federal Register* notice.

The ONRR maintains regular, ongoing contact with companies. We provide toll-free telephone assistance and encourage customer feedback as we respond to questions regarding requirements. We address issues as they come up and continually improve our processes.

ICR 1012-0001 involves a small random sample of respondents. In order to comply with the CFO, we request only a minimum amount of information to verify that our financial records agree with respondents' financial records. Program staff made a sincere effort to elicit meaningful feedback from companies. They contacted the companies listed below regarding the 60-day *Federal Register* notice and the burden hour estimates.

**Contacts made / comments received:**

We contacted the following companies and received one response.

Bette Smart, Sr. Accountant  
ONRR Royalty Reporting  
501 Westlake Park Blvd., 19-112 WL1  
Houston, Tx 77079  
phone: (281) 366-7491; fax: (281) 366-6391  
email: [bette.smart@bp.com](mailto:bette.smart@bp.com)

The current process only takes us about 15-20 minutes per year. We fax in the form and also mail it. There is no reason to change the process as far as BP is concerned.

Andrea Gomez  
Encana Oil & Gas (USA) Inc.  
720-876-3834 (p)  
720-876-4834 (f)

Howell Petroleum Corporation (28792)  
June Crosby  
[June.Crosby@anadarko.com](mailto:June.Crosby@anadarko.com)  
(832) 636-7669

Brenda Will  
Conoco Phillips  
[Brenda.K.Will@conocophillips.com](mailto:Brenda.K.Will@conocophillips.com)  
(918) 661-0912

Pam Williams  
Shell  
[Pam.Williams@shell.com](mailto:Pam.Williams@shell.com)

Lance: Lori Milsted – [lorimilsted@anadarko.com](mailto:lorimilsted@anadarko.com)

W&T: Anita Schuler – [aschuler@wtoffshore.com](mailto:aschuler@wtoffshore.com)

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

We will not provide any payment or gift to respondents in this collection.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The OIG agent signs a nondisclosure statement binding the agent to the requirements cited below.

Commercial or financial information payors provide to ONRR, relative to minerals they removed from Federal and Indian leases, may be proprietary. The FOGRMA, as amended (30 U.S.C. 1733), and the Freedom of Information Act (5 U.S.C. 552(b)(4)) and its implementing regulations (43 CFR 2) established standards to protect trade secrets and proprietary and other information. In addition, the Indian Mineral Development Act of 1982 (25 U.S.C. 2103) provides that the Department shall hold as privileged, proprietary information all information in its possession related to any Indian minerals agreement the Act covers. Strict security measures at ONRR control storage of and access to proprietary information.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

The collection does not include sensitive or private questions.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- \* Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.
- \* If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens.
- \* Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here.

We estimate approximately 48 respondents annually (Federal and Indian oil and gas and solid minerals royalty payors), which we base on our current data and the reasonable expectation that initial sampling may indicate a need for further sampling. We estimate 15 minutes per response, resulting in a total annual reporting burden of 12 hours.

We expect that an industry accountant will perform all work. We used Bureau of Labor Statistics to estimate the hourly cost for industry accountants in a metropolitan area. We used a multiplier of 1.4 for benefits. We estimate the hourly cost for an industry accountant would be \$46, which we calculated as follows:

$\$32.83$  [mean hourly wage] x  $1.4$  [benefits cost factor] =  $\$45.96$  [rounded to  $\$46/\text{hr}$ ]

The estimated annual cost to industry would be  $\$552$ , as follows:

$12$  [reporting hours] x  $\$46/\text{hr}$  [for industry accountants] =  $\$552$

The burden hour estimate includes time for reviewing instructions; searching existing data sources; gathering and maintaining the data needed; and completing and reviewing the collection of information. There are no additional recordkeeping costs associated with this information collection. We have not included in our estimates certain requirements performed in the normal course of business and considered usual and customary.

13. Provide an estimate of the total annual non-hour cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden already reflected in item 12.)
- \* The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information (including filing fees paid for form processing). Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.
  - \* If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.
  - \* Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

We have identified no “non-hour” cost burdens for this collection of information.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.

The estimated annualized cost to the Federal Government is \$6,864. This estimate includes \$1,104 for the OIG agent, and \$5,760 for ONRR ( $\$1,104 + \$5,760 = \$6,864$ ).

### **Cost to OIG Agent**

The estimated annual cost to OIG agent is \$1,104 (assuming OIG contracts the work to industry accountants), which we base on the following information:

We estimate approximately 48 respondents annually. We estimate that OIG agent will require time to determine selections and review responses. We estimate 30 minutes per confirmation, or a total of 24 hours (48 responses x 0.5 hour = 24 hours).

We used Bureau of Labor Statistics for industry accountants in a metropolitan area to estimate the hourly labor cost, at \$46 (see Item 12 for calculation). The estimated annual cost to OIG agent is \$1,104 ( $\$46$  per hour x 24 hours = \$1,104).

### **Cost to ONRR**

The estimated annual cost to ONRR is \$5,760, which we base on the following information:

We estimate approximately 48 respondents annually. We estimate that ONRR will require time to review selections, determine the original amount reported, resolve any account discrepancies, look up contacts and addresses, and call companies to explain the confirmation process. We estimate 2 hours per response for ONRR, or a total of 96 hours.

We expect that a Government accountant will perform the work at the Grade 12/Step 5 pay scale. We used the United States 2012 General Schedule, for the Denver, Colorado, area, located at [http://www.opm.gov/oca/12tables/html/den\\_h.asp](http://www.opm.gov/oca/12tables/html/den_h.asp). We used a multiplier of 1.5 for benefits. We estimated the hourly labor cost at \$60 ( $\$40.10$  per hour x 1.5 multiplier for benefits = \$60.10, rounded to \$60). The estimated annual cost to ONRR is \$5,760 ( $\$60$  per hour x 96 hours = \$5,760).

15. Explain the reasons for any program changes or adjustments in hour or cost burden.

The current OMB-approved inventory is 25 burden hours. Our current estimate of the burden hours is 12 hours, resulting in an adjustment decrease of 13 hours. We analyzed our current data and found a reduction in the number of respondents, resulting in a corresponding decrease in our burden hour estimate.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The ONRR will not publish the data.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

Not applicable to this collection.

18. Explain each exception to the topics of the certification statement identified in "Certification for Paperwork Reduction Act Submissions."

To the extent that the topics apply to this collection of information, we are not making any exceptions to the "Certification for Paperwork Reduction Act Submissions."