

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. The Office of Management and Budget (OMB) reserves the right to require the submission of additional information with respect to any request for approval.

Specific Instructions

A. Justification

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

The Secretary of the U.S. Department of the Interior (Secretary) is responsible for collecting royalties from lessees who produce minerals from leased Federal and Indian lands and the Outer Continental Shelf (OCS). Under various laws (see below), the Secretary's responsibility is to manage mineral resources production on Federal and Indian lands and the OCS, collect the royalties, and other mineral revenues due, and distribute the funds collected under those laws. The Secretary also has a trust responsibility to manage Indian lands and seek advice and information from Indian beneficiaries. The Office of Natural Resources Revenue (ONRR) performs the minerals revenue management functions for the Secretary and assists the Secretary in carrying out the Department's trust responsibility for Indian lands.

When a company or an individual enters into a lease to explore, develop, produce, and dispose of minerals from Federal or Indian lands, that company or individual agrees to pay the lessor a share in an amount or value of production from the leased lands. The lessee is required to report various kinds of information to the lessor relative to the disposition of the minerals. Such information is generally available within the records of the lessee or others involved in developing, transporting, processing, purchasing, or selling of such minerals. The information collected includes data necessary to ensure that the royalties are accurately valued and appropriately paid.

We have posted the following laws pertaining to mineral leases on Federal and Indian lands and the OCS at http://www.onrr.gov/Laws_R_D/PubLaws/default.htm:

- Mineral Leasing Act of 1920 (30 U.S.C. 192)
- Outer Continental Shelf Lands Act (43 U.S.C. 1353)
- Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA, Pub. L. 97-451—Jan. 12, 1983)
- Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA, Pub. L. 104-185—Aug. 13, 1996, as corrected by Pub. L. 104-200—Sept. 22, 1996)
- Indian Mineral Development Act of 1982 (Pub. L. 97-382—Dec. 22, 1982)
- Chief Financial Officers Act of 1990 (Pub. L. 101-576—Nov. 15, 1990)

Every year, 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 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 on the validity of ONRR financial records is necessary.

As part of CFO audits, the agent requests, by a specified date, third-party responses confirming that ONRR accounts receivable records agree with royalty payor records, for the following items: customer identification; royalty/invoice number; payor-assigned document number; date received; original amount reported; and remaining balance due ONRR, as of a specified date. In order to meet this requirement, ONRR must mail letters on ONRR letterhead, that the ONRR Deputy Director signs, to royalty payors selected at random, asking them to confirm back to the agent the accuracy and/or validity of selected royalty receivable items and amounts. Verifying the amounts reported and the balances due will require time for research and analysis by payors.

Therefore, ONRR requests approval to continually collect this information to ensure compliance with the CFO audit schedule and requirements. Failure to collect this information could be construed as a scope limitation for CFO audits.

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.

As part of annual CFO audits, the agent requests third-party confirmations that ONRR accounts receivable records agree with royalty payor records, for the following items: customer identification; royalty/invoice number; payor-assigned document number; date received; original amount reported; and remaining balance due ONRR, as of a specified date. Companies certify the accuracy of the information provided in the confirmation letter to what is in their system.

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

ONRR continues to strive for full implementation of the Government Paperwork Reduction Act of 1995. We collect most of the original information electronically on Forms ONRR-2014 and ONRR-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 collection requested 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.

Small businesses are among potential respondents, and as such, ONRR carefully analyzed its requirements to ensure the information requested is the minimum necessary to accomplish our mission and to place the least burden on industry. Detailed transactional information is provided to the company for confirmation to minimize their burden in collecting and verifying the information.

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. Failure to collect this information could be construed as a scope limitation for CFO audits.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

(a) requiring respondents to report information to the agency more often than quarterly.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(i).

(b) requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(ii).

(c) requiring respondents to submit more than an original and two copies of any document.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(iii).

(d) requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than 3 years.

RSFA section 4(f) requires that Federal oil and gas lessees maintain records for 7 years after the obligation becomes due.

In addition, under 30 U.S.C. 1713(b), Indian oil and gas lessees must maintain their records for 6 years after they generate the records unless the Secretary notifies the record holder that they must maintain such records for a longer period due to an ongoing audit or investigation.

(e) 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.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(v).

(f) requiring the use of 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)(vi) because ONRR does not conduct the sampling.

(g) 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.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(vii) as this collection does not include a pledge of confidentiality not supported by statute or regulation.

(h) 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.

There are no special circumstances with respect to 5 CFR 1320.5(d)(2)(viii) as this collection does not require proprietary, trade secret, or other confidential information not protected by agency procedures. We protect this information under the standards identified in Item 10 below.

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 3 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. [Please list the names, titles, addresses, and phone numbers of persons contacted.] Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 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 review and comment notice in the *Federal Register*. We did not receive any comments in response to this notice, published on February 10, 2015 (80 FR 7494).

We also contacted the companies (listed below) regarding the burden hour estimates and the clarity of the regulations requiring this collection of information. Program staff reported the following:

Contacts made / comments received:

1. Name: Julie Scheuber
Company: Mewbourne Oil Company
Phone number: (903) 939-7443
Email: JScheuber@Mewbourne.com

Feedback: “The following is my reply to the bullet points concerning the “Information Collection Request - Acknowledgement that you reviewed the ICR - Yes, I have reviewed the ICR. Whether or not you agree with the substance of the ICR – Yes, I agree with the substance of the ICR. Whether or not you agree with the estimated burden hours and cost – No, I do not agree with the estimated burden hours and cost. If I may be of further assistance please let me know.”

ONRR Response: ONRR responded to this comment requesting further clarification as to why the company did not agree with the estimated burden hours and cost. No response was received. ONRR accepts and passes further comment.

2. Name: Sarah Sanchez
Company: Ultra Resources, Inc.
Phone Number: (303) 645-9859

Email: ssanchez@ultrapetroleum.com

Feedback: “In response to the ICR, I have read the ICR, I agree with the ICR, and I agree with the estimated burden of 15 min for payors to complete. Please let me know if you need anything else.”

ONRR Response: ONRR accepts and passes further comment

3. Name: Carol Hagihara
Company: Robert L Bayless Producer, LLC
Phone Number: (303) 382-0904
Email: CarolH@bayless-cos.com

Feedback: “I do not have any c comments on this issue.”

ONRR Response: ONRR accepts and passes further comment

4. Name: Kevin Wilcox
Company: Merrion Oil & Gas
Phone Number: (505) 324-5330
Email: kwilcox@merrion.bz

Feedback: “It has been my assumption that industry and the public "may" submit comments concerning the requirements of the ICR. Your last email makes it seem like a comment is required, am I required to comment?”

ONRR Response: ONRR responded to this comment via email indicating that there was no requirement to respond but a response would be greatly appreciated. No email response was received. ONRR also followed-up with a phone call and left a voicemail. No response was received to the voicemail.

We accept comments at any time on the information collection and the burden hour estimates, as explained in the PRA statement. The ONRR also 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.

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.

Respondents may provide proprietary, commercial, or financial information, relating to minerals they removed and sold. The FOGRMA, as amended, (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C 552 (b)(4)), and its implementing regulations establish standards to protect trade secrets and other proprietary information.

In addition, the Indian Mineral Development Act of 1982 (25 U.S.C. 2103) provides that all information related to any Indian minerals agreement covered by the Act, in the possession of the Department, shall be held as privileged proprietary information. In addition, ONRR has strict security measures in place for storage and access of 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.

This information collection does not include sensitive or private questions.

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

(a) 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.

(b) If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens.

(c) 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. Instead, this cost should be included in Item 14.

Based on OIG requirements, there will be 24 respondents (Federal and Indian lessees). We estimate that each response will take 15 minutes leading to the total annual burden of 6 reporting hours (there are no recordkeeping hours). We used tables from the Bureau of Labor Statistics (BLS) located at http://www.bls.gov/oes/current/oes_35644.htm#13-0000 to estimate the hourly cost for industry accountants in a metropolitan area. We used a multiplier of 1.4 for benefits, the ratio between wages and benefits for private sector workers based on the U.S. Bureau of Labor Statistics news release USDL-15-1132 for EMPLOYER COSTS FOR EMPLOYEE

COMPENSATION—MARCH 2015 dated June 10, 2015, found at - <http://www.bls.gov/news.release/pdf/ecec.pdf>. Based on this information, we estimate the hourly cost for an industry accountant would be \$65, calculated as follows:

$$\$46.51 \text{ [mean hourly wage]} \times 1.4 \text{ [benefits cost factor]} = \$65.11 \text{ [rounded to } \$65/\text{hr.]}$$

The estimated annual cost to industry would be \$390 calculated as follows:

$$6 \text{ [reporting hours]} \times \$65 \text{ hr. [for industry accountants]} = \$390$$

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 shown in Items 12 and 14).

(a) The cost estimate should be split into two components: (1) a total capital and start-up cost component (annualized over its expected useful life) and (2) 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]. 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.

(b) If cost estimates are expected to vary widely, agencies should present ranges of cost burden 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.

(c) 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.

ONRR has 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. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

We estimate that a Federal employee will spend approximately 6 hours per year to perform this task; this task requires only filing. An employee paid at the United States 2015 General Schedule, Grade 7/Step 5 pay-scale level currently performs the work. The 2015 salary tables for the Denver, Colorado, area are located at http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2015/DEN_h.pdf. We used a multiplier of 1.5 for benefits based on the ratio between wages and benefits for civilian workers based on the U.S. Bureau of Labor Statistics news release USDL-15-1132 for EMPLOYER COSTS FOR EMPLOYEE COMPENSATION—MARCH 2015 dated June 10, 2015, found at - <http://www.bls.gov/news.release/pdf/ecec.pdf>. Based on this information, we estimate the hourly cost for a Federal employee to perform the work would be \$32, calculated as follows:

$$\$23.06 \text{ [GS-7/5]} \times 1.5 \text{ [benefits cost factor]} = \$34.59 \text{ [rounded to } \$35/\text{hr.]}$$

The estimated annual cost to the Federal Government is \$210, calculated as follows:

$$6 \text{ hrs. /year [estimated time]} \times \$35/\text{hr. [for Federal employee]} = \$210$$

15. Explain the reasons for any program changes or adjustments.

The current OMB inventory is 12 burden hours. Our current estimate of the burden hours is 6 hours, resulting in a decrease of 6 hours, which is an adjustment. The decrease in the burden hour estimate is based on the OIG reducing their sample size in recent years. The reduction in sample size correlates to a reduction in estimates and the number of respondents. There is no annual reporting and recordkeeping cost burden associated with this information collection.

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 certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submission.”

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.”