



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
ROYALTY MANAGEMENT PROGRAM
P.O. BOX 5760
DENVER, COLORADO 80217



IN REPLY
REFER TO:

FAD-PAB-AEP
Mail Stop 3212

FEB 6 1992

Dear Payor:

This letter provides notice that the Minerals Management Service (MMS) will reinstitute the Auditing and Financial System (AFS) automated late-reporting assessments for reports due MMS but received late on Forms MMS-2014 and MMS-4014, as authorized at 30 CFR § 218.40 (1991) and published in the Federal Register at 57 FR 1280 (January 13, 1992).

Late-reporting assessments reimburse the Federal Government for program costs incurred due to payors' late reporting. The MMS is required to make timely payments and provide accurate royalty information to ultimate recipients of the royalties. The MMS cannot promptly meet these requirements without accurate and timely information from payors. The regulations at 30 CFR § 218.40(a) and (c) provide that:

An assessment of \$10.00 per day may be charged for each report not received by MMS by the designated due date.

For purposes of reports required for the Auditing and Financial System (AFS), a report is defined as each line item on a Form MMS-2014 or Form MMS-4014.

In July 1986, MMS began issuing automated AFS nonrespondent invoices that identified both late reporting and failure-to-report on Forms MMS-2014 and MMS-4014. In 1988 and 1989, the Production Accounting and Auditing System (PAAS) began identifying AFS failure-to-report exceptions by comparing royalty reports to production reports. Thus, MMS discontinued the AFS automated nonrespondent assessments and began issuing manual late-reporting assessments pending the creation of a new AFS automated late-reporting system. The AFS recently has been reprogrammed and MMS will implement automated late-reporting assessments effective March 2, 1992.

The previous AFS automated late-reporting policy was for MMS to assess \$10 per late report multiplied by the number of months the report was late. However, the current manual late-reporting policy, which will continue as the policy under the new AFS automated late-reporting system, is to assess \$10 for each late report.

For each monthly billing cycle, the AFS late-reporting module will check all reports submitted on Forms MMS-2014 and MMS-4014 which have been accepted by AFS during that month to determine if reports were received timely. Because the automated program will be more thorough, you can expect the number of

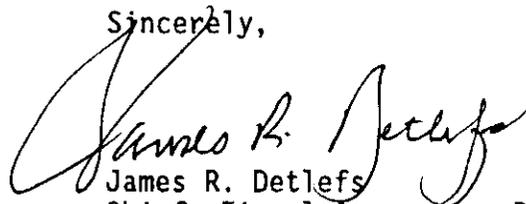
Dear Payor

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exceptions to increase from the manual method unless you report on time. If a late report rejects when processed in AFS and subsequently accepts, the AFS late-reporting module will generate late-reporting assessments during the month the report accepts. Thus, a payor may receive a late-reporting assessment invoice for individual reports on a specific Form MMS-2014 or MMS-4014 over several months, depending upon the date each report (line) accepts in AFS and processes through the AFS automated late-reporting system.

Your cooperation is appreciated. Should you have any questions regarding this policy, please call the Automated Exception Processing Section at (303) 231-3645 or (800) 433-9801.

Sincerely,

A handwritten signature in black ink, appearing to read "James R. Detlefs". The signature is fluid and cursive, with a large initial "J" and "D".

James R. Detlefs
Chief, Fiscal Accounting Division