



U.S. Department of Interior

Office of Natural Resources Revenue (ONRR)

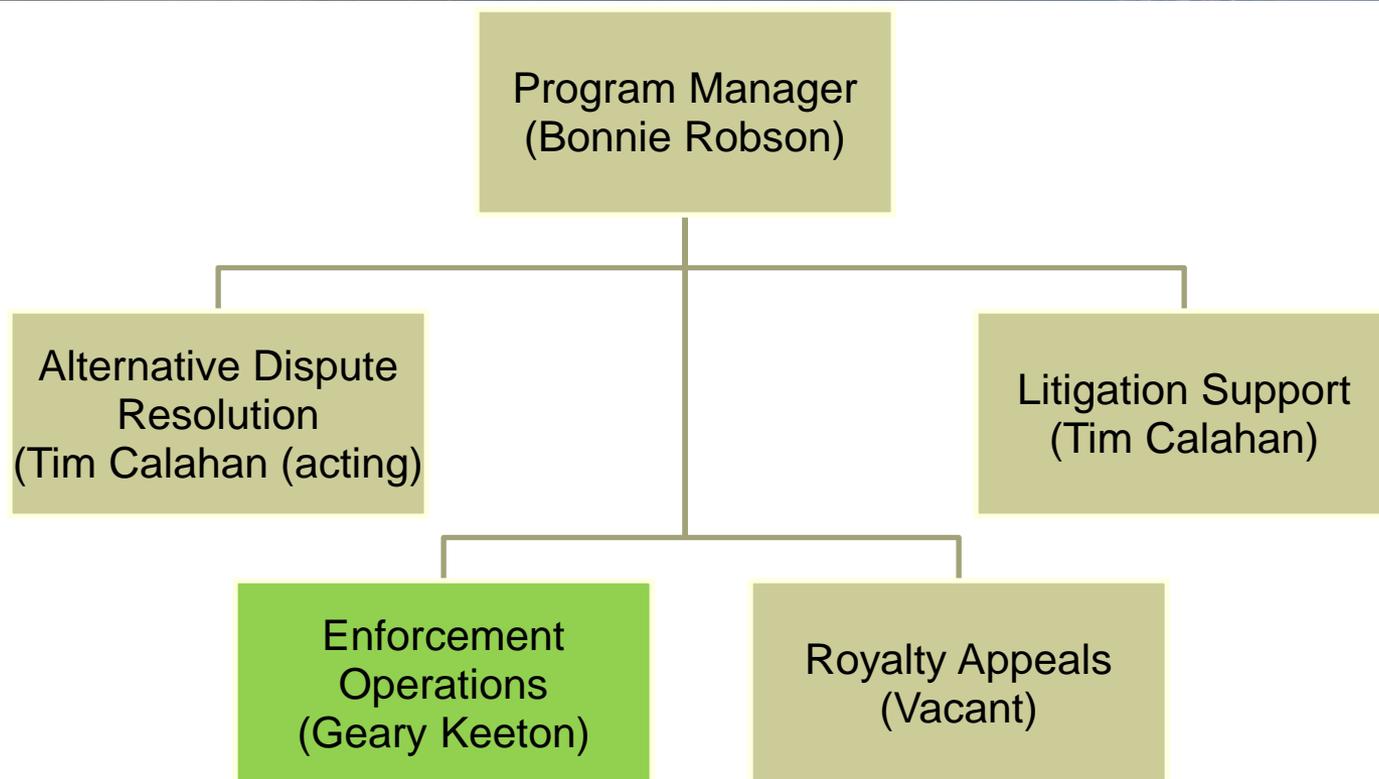
Office of Enforcement & Appeals Enforcement Operations

Presented by:
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Office of Natural Resources Revenue

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ONRR Office of Enforcement and Appeals



10 Investigators (“Enforcement Specialists – Investigations”)
All are Certified Fraud Examiners or in training as such
All have extensive ONRR division experience



Enforcement Operations Role

Enforcement Operations supports ONRR's mission to *collect, disburse, and verify Federal and Indian energy and other natural resource revenues . . . by*

- Investigating alleged violations of minerals revenue laws and regulations
- Issuing Notices of Noncompliance and/or Civil Penalties to induce compliance
- Publishing company penalty payments on the Internet and via news releases to deter future noncompliance by the industry as well as the penalized company
- Referring cases to and working with other law enforcement and regulatory groups that have authorities particularly suited to the violations



Case Intake and Investigation

- Learn of potential violations from other ONRR divisions, outside parties, or our own initiatives
- Refer apparent crimes and false claims to OIG, which accepts some cases and returns most back to us for investigation and action
- Investigate to 1) confirm the violations, 2) identify the responsible parties, and 3) determine why the violations occurred and the parties' "mental state," if applicable
- Decide which Enforcement action is most appropriate based on facts, circumstances, and intent



Enforcement Actions

- Issue Notice of Noncompliance for “curable” violations, and issue Civil Penalty if not cured within stated period
- Issue “Immediate Liability Civil Penalty” for knowing or willful violations including failure to pay royalties, failure to permit an audit, or submission/maintenance of false or incorrect information
- Participate in the hearing process before an Administrative Law Judge (if a hearing is requested by the company)
- Follow-up with additional Enforcement Actions, as required



Enforcement Operations Questions

Question 1: What Enforcement Operations Penalizes

1982 Federal Oil and Gas Royalty Management Act violations:

- Reporting failures (failure to submit or correct monthly OGORs and 2014 reports)
- Unresolved variances (failure to correct unjustifiable differences between or among reports or with standards)
- **Payment violations** (knowing or willful (K/W) failure to pay royalties or repeated late payments)
- **Information refusal** (failure or refusal to adequately fulfill data requests for audits, compliance reviews, etc.) 
- **False information** (K/W submission or maintenance of false, inaccurate, or misleading information in reports or other documents) 

Black = Civil Penalties initially as much as \$500 - \$5,000/violation/day (depending on duration of violation)

Red = Civil Penalties as much as \$10,000 - \$25,000/violation/day (depending on type of violation)

 = Criminal penalties including imprisonment may be pursued in Federal Court in coordination with the U.S. Department of Justice under 18 U.S.C. §§ 1001 and 1516, 30 U.S.C. § 1720, and other law



Enforcement Operations Questions

Question 2: Current And Future Initiatives

- Substantially decrease monthly OGOR submission failures
- Provide incentive for industry to correct system-rejected OGORs without orders
- Foster proper reporting of flared volumes on OGORs (Part B)
- Improve industry responsiveness to Data Mining inquiries
- Make greater use of Maintenance penalties where necessary and appropriate
- Enhance employee training on recognizing and referring illegal acts for investigation
- Expand identification of collateral violations
- Shorten case life-cycle through improved procedures
- Improve ONRR responsiveness to data requests from OIG criminal investigators
- Publish final Civil Penalty regulations



Enforcement Operations Questions

Question 3: What Is Meant By “Knowing Or Willful?”

Knowing or willful is a very broad term and does not require proof of specific intent to defraud or a correlation to nonpayment of royalties

Includes:

- Reckless disregard of the truth or falsity of the information submitted
- Deliberate ignorance of the truth or falsity of the information submitted
- Actual knowledge of the falsity of the information submitted

Indicators:

- Intentional or accidental admission
- Submission of contradictory documents
- Repeated reporting violations or “mistakes” where company has been in communication with ONRR about the reporting issue
- Adverse inspection/audit report findings which company has failed to resolve
- Complaints from other agencies or the public



Enforcement Operations Questions

Question 4: Posting of ONRR Penalty Assessment Matrix

- ONRR has not posted a civil penalty matrix other than that contained in the preamble to the May 13, 1999 Final Rulemaking for Appeals and Civil Penalties
- The matrix, adjusted for inflation for the 1990 Federal Civil Penalty Inflation Adjustment Act:
 - Will be published on ONRR's website by the date that the final rule becomes effective
 - Shows the standard assessment rates and upward/downward departure limits by relative company size for mitigating, extenuating, and aggravating factors as well as escalations for prior violations
 - Is a guidance document which assists ONRR staff in implementing the statute and regulations.
 - Is not binding; on a case-by-case basis, the matrix rates may be overridden (within FOGRMA maximums) by the Enforcement Operations Officer where justified
 - Will be updated as new violations are identified and periodically as required by the Inflation Adjustment Act



Enforcement Operations Questions

Question 5: Status Of The Proposed Rule?

- The proposed rule was published on May 20, 2014
- Comments were received from seven Industry associations, 12 companies, and one Tribe
- A team of representatives from Enforcement Operations and Solicitor's Office is evaluating the comments
- We plan to publish the final rule by December 2015



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