

**Minerals Management Service
Interim Policy Document**

Effective Date: April 3, 2006

IPD No: 06-04

Series: Administrative

Title: Cost Recovery

Originating Office: Finance Division

1. Purpose. This Interim Policy Document (IPD) establishes Minerals Management Service (MMS) cost recovery policy governing charges for services provided to the non-Federal sector.

2. Objectives. It is the goal of the MMS to recover the full cost of services provided to the non-Federal sector where permitted by established policies or rulemaking. The MMS cost recovery program is intended to ensure that:

- A. Fees or charges are assessed on all applicable services.
- B. Fees or charges imposed accurately recover the full cost to the MMS of providing the services.
- C. Cost recovery activities are reported in compliance with Department requirements.

3. Authority.

- A. Title V of the Independent Offices Appropriation Act (IOAA) of 1952 (31 U.S.C. 9701)
- B. 330 DM 1, Department of the Interior Accounting Handbook, Chapter 6.4, Cost Recovery

4. Definitions.

A. Service. A service is rendered when a special benefit or privilege is provided to an identifiable recipient above and beyond that which accrues to the public at large.

B. Benefit. A benefit is essentially any good or service provided by the MMS. It may be a complicated authorization of a pipeline right-of-way or simply a copy of a document or map. There are three types of benefits:

- (1) Private benefit – benefits only the recipient.
- (2) Public benefit – benefits only the public or some independent public interest.
- (3) Incidental public benefit – a public benefit in conjunction with a private benefit.

C. Recipient. The recipient of a benefit must be clearly identifiable. Cost recovery is not applicable where the ultimate beneficiary is obscure. The identifiable recipient can be an individual, organization, business entity, or a combination of these.

5. Policy. The MMS Policy is to recover, consistent with the provisions of 330 DM 1, Department of the Interior Accounting Handbook, Chapter 6.4, Cost Recovery, the full cost of services or special benefits provided to identifiable non-Federal recipients.

6. Guidelines.

A. A special benefit accrues when a Government-rendered service:

(1) Enables the beneficiary to obtain more immediate or substantial gains or values. An example is the review of royalty-in-kind applications.

(2) Is performed at the request of the recipient and is above and beyond the services regularly received by other members of the same industry or group, or of the general public.

B. A special benefit does not accrue and cost recovery should not be sought when:

(1) Services or benefits are provided by an MMS motion or initiative; for example, MMS royalty compliance audits.

(2) Services provided by the MMS benefit the public at large and the ultimate and/or individual beneficiaries are obscure; for example, prelease environmental impact studies.

C. Provision of Services. In the provision of services to private recipients, incidental public benefits may also accrue. In such cases the cost of providing the public benefit need not be segregated from the cost of providing the benefit to the private recipient(s). That is, the MMS “may recover the full cost of providing a service to a private beneficiary, regardless of whether that service may also benefit the public” (Mississippi Power & Light Co. v. Nuclear Regulatory Commission, 601 F.2d 223 (5th Cir. 1979), cert. denied, 444 U.S. 1102 (1980)).

D. Direct and Indirect Costs. Cost to be recovered should include both the direct and indirect costs incurred by MMS in providing the service. More specific guidance on cost-finding techniques, cost management, and the types of direct and indirect costs to be included in the computation can be found at 330 DM 1, Department of the Interior Accounting Handbook, Chapter 6.4, Cost Recovery.

E. Cost Recovery Exemptions.

(1) The Director, MMS, may exempt or limit fees for a cost recovery activity when the furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

(2) Fees or cost recovery charges will not be imposed for the review and processing of royalty and production reports and payments which are required of all lessees and/or operators.

(3) Services or benefits, the cost of which would normally be recovered, may be provided to individual recipients at no cost if demanded by fairness and equity. Such exceptions must be approved in writing by the Associate Director or Regional Director/Manager delegated the

authority to provide the service or benefit involved. The basis for granting the exception must be explained fully. This authority is granted for case-by-case fee exceptions only and cannot be used as a basis to exempt an entire activity from cost recovery.

(4) Other activities and programs may be exempted from cost recovery subject to the approval of the Department of the Interior's Office of Financial Management and the Office of Management and Budget. Exemptions should be sought when:

(a) The incremental cost of collecting the charges would be an unduly large part of the receipts from the activity.

(b) The recipient of the service is an organization engaged in a nonprofit activity designed for the public safety, health, or welfare.

(c) The imposition of charges or fees would have significant adverse impacts on:

(i) Environmental quality and safety of OCS operations.

(ii) Conservation or production of OCS mineral resources.

(iii) Large numbers of small businesses.

7. Responsibilities.

A. Compliance. Associate Directors are responsible for ensuring that activities within their offices are in compliance with the provisions of this IPD. Associate Directors shall maintain an inventory of all activities in which they are engaged with non-Federal entities. Each activity should be identified according to one of the following classifications:

(1) Provides a public benefit only.

(2) Provides a private benefit or a private benefit with incidental public benefits but is exempt from cost recovery. The basis for the exemption from paragraph 6.E, above, should be cited.

(3) Provides a private benefit or a private benefit with incidental public benefits, the costs of which will be recovered.

B. Annual Inventory Review. Associate Directors shall review and update the inventory annually for the use of the Associate Director for Administration and Budget in preparing the report described in paragraph 8, below.

C. Rulemaking. In the absence of specific statutory authority, Associate Directors shall initiate rulemaking proceedings under the provisions of the IOAA as necessary to recover costs in accordance with this IPD and the Departmental Manual.

D. Determining Costs and Establishing Fees. Associate Directors in conjunction with the Associate Director for Administration and Budget shall determine costs, establish fees, and

ensure that collections are credited to the appropriate accounts in accordance with 330 DM 1, Department of the Interior Accounting Handbook, Chapter 6.4.10, Cost Recovery.

8. Reporting Requirements. The Associate Director for Administration and Budget shall prepare the annual cost recovery report required by 330 DM 1, Department of the Interior Accounting Handbook, Chapter 6.4, Cost Recovery. Associate Directors shall provide such information as may be necessary to complete the report.

9. Cancellation. This IPD will remain in effect until incorporated into the MMS Manual.

A handwritten signature in black ink, appearing to read 'Robert E. Brown', is positioned above the printed name.

Robert E. Brown
Associate Director for
Administration and Budget