Mainstreaming Feasibility Study - DRAFT

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Date:	Tue, 21 Mar 2017 15:08:00 +0000
Attachments:	Mainstreaming Feasibility Study_DRAFT_20170320.docx (461.98 kB)

Hello and good morning:

I have attached Deloitte's first draft of the mainstreaming feasibility study. Please submit your initial comments to be my COB this Friday, March 24th, so I can send Deloitte our combined edits.

I am also requesting that those who were interviewed take a close look at the Appendix and confirm Deloitte has captured the Government's position on data quality, reconciliation and mainstreaming.

Thank you,
Kim

--
Kim Oliver
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The United States Extractive Industries Transparency Initiative

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Mainstreaming Feasibility Study

March 2017

Deloitte.

The United States Extractive Industries Transparency Initiative

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Executive Summary

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Mainstreaming Overview

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The objective of mainstreaming is to recognize implementing countries that make transparency integral to their systems. Requirement six of the EITI Standard states that "where legally and technically feasible, implementing countries should consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis." Mainstreaming is the formal process countries pursue to demonstrate integrated transparency. The process consists of seven phases: formal commitment, feasibility study, work plan, application, approval, implementation, and review.

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U.S. Track Record of Reconciliation

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What is the U.S. record of results for reconciliation?

The U.S. conducted its first reconciliation in 2015. The period of reconciliation was Calendar Year (CY) 2013. Across 31 companies and 11 revenue streams, overall variance for all revenues came to $1,406,472,132.22, or 14%. 17 discrepancies exceeded the margins of variance determined by the MSG. The IA—working with in-scope companies and government entities—identified explanations for all discrepancies. Explanations included differences regarding when payments were recorded and how they were classified.

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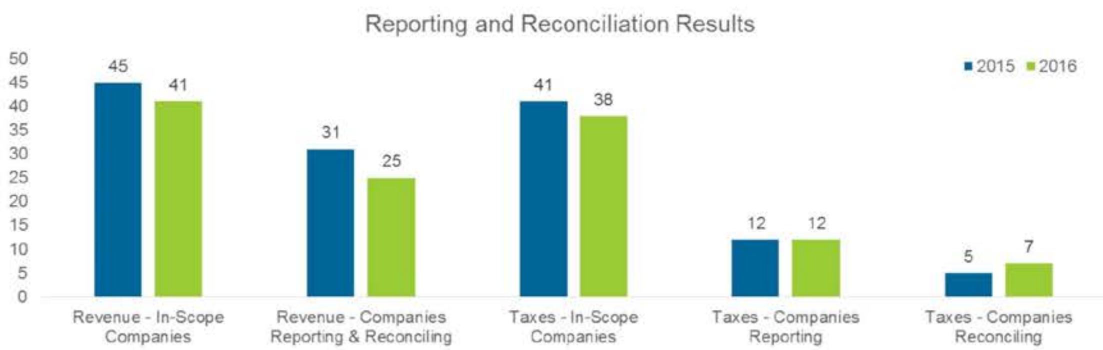

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Increasing and Embedding Disclosures

How does the government embed and increase disclosures?

The U.S. government publicly discloses much of the data that has been embedded in the USEITI Data Portal, and provides much of the data necessary for embedding disclosures through the Department of the Interior's Office of Natural Resources Revenue (ONRR) Data Portal. This data is updated annually. Some of the key strengths of this system are that:

- The ONRR Data Portal includes **federal production data** for 55 products from 2005 to 2015. This data can be filtered by product type, region (including state and county), and year. It also discloses and publishes **federal revenue by both location and company**. Location data can be filtered by commodity category and region and goes from 2004 to 2015. Company data can be filtered by commodity and revenue type and covers 2015 revenue.
- The portal includes **economic impact data on the extractive industries**, including Gross Domestic Product, Exports, and Jobs. It can be filtered by region, with results shown as $ values or % values, from 2004 to 2015. Additional filters include by commodity for exports and by job type for jobs.
- Beyond disclosing DOI data, the data portal **aggregates and makes accessible relevant data sets from other government organizations**, including the Energy Information Administration, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

In addition to the USEITI Data Portal, ONRR's Statistical Information Site (http://statistics.onrr.gov/) provides datasets on disbursement (at a fund or state level and by fiscal year) and reported revenue data (including sales volumes, sales values, and revenue by commodity).

The portal also includes reconciliation data and corporate income tax data for those companies that have opted to report their tax data. Currently, the U.S. cannot share tax data on any companies, until such legal reform requiring companies to do so is passed or put in place. Currently, the government is not able to legally disclose their tax data without the consent of the company. This may present a barrier to approval of mainstreaming. However, the US Department of Treasury discloses aggregate tax payments by Industry. [Further describe the nature of Treasury disclosures.]

In summary, the Government discloses the majority of data required for mainstreaming on the USEITI data portal. Disclosures by Treasury provide information on taxes at an aggregate industry level but not by company. Opportunities for the government to increase and embed disclosures include the expansion of the revenue streams disclosed, including the coal excise tax, and the commodities in-scope.

How does the extractives industry increase and embed disclosures?

Currently, industry reporting of EITI-related data is voluntary. A number of companies voluntarily report data or report data according to European regulations.

- **Oil & Gas**: Five major oil and gas companies report detailed government payments information in the United States outside of USEITI. They are BP, ENI, Shell, Statoil, and Total. None of these reports include tax information.
    - **BP** reports according to British regulations (UK's Report on Payments to Governments Regulations 2014 (as amended in December 2015)) and reports payments to governments at the project level. Their payments are unaudited but independently assured by Ernst and Young.
    - **ENI** voluntarily reports payments to government on a national level. Their report contains additional contextual information. It is unaudited.
    - **Shell** voluntary reported payments to governments prior to the implementation of British regulations and now reports according to those regulations. It reports all payments to governments at the project level. This report is unaudited.
    - **Statoil** reports payments to government according to Norwegian law, at the project and government levels. It also includes contextual information in their annual report. Their report is unaudited.
    - **Total** reports according to French law and reports all payments to governments, including at the city and the county level. Their report is not audited.
- **Coal & Hardrock**: Two major coal and hardrock companies voluntarily report detailed government payments information in the United States. They are BHP Billiton and Rio Tinto.
    - **BHP Billiton** reports government payments (both tax and non-tax) as well as contextual information and data on broader economic contributions. Their non-tax data includes payments to governments and on a project level. Their report is audited by an independent auditor according to Australian Auditing Standards.
    - **Rio Tinto** reports payments to governments (both tax and non-tax) and publishes an annual *Taxes Paid* report. Payments are reported on a government and project level. The report includes economic contribution data and contextual information, including case studies. The report is independently audited.

These reports suggest best practices for encouraging further disclosure of payments by private companies.

[THIS SECTION TO BE UPDATED TO INCLUDE ADDITIONAL VOLUNTARY DISCLOSURES MADE BY COMPANIES AS PART OF SEC FILINGS, UNDER EU DIRECTIVE 10 AND AS PART OF USEITI]

Evaluating Data Quality

The requirements for mainstreaming include determining whether data from both government and industry sources is up to date, comprehensive, and reliable outside of the EITI reporting structures. The U.S. performs strongly on data quality and provides up to date, comprehensive, and reliable data as required by the International Standard.

Up to Date Data

EITI requires information be reported on an annual basis. Where the government and industry currently report, data is disclosed on an annual basis in the U.S. In addition, ONRR unilaterally discloses payments on an annual basis through the USEITI data portal.

Comprehensive Data

This section will discuss data comprehensiveness including:

- Comprehensiveness of disclosure through the UDR – The government's unilateral disclosure of revenues received covers all in-scope, non-tax payments received by the government, including for companies not in scope of USEITI.
- Comprehensiveness of tax disclosures
- Brief discussion of emerging requirements and potential for mainstreamed implementation – e.g. beneficial ownership, project level

Reliable Data

Extractive industries companies and the U.S. government are subject to laws and regulations that guide the process for receiving payments and for companies making payments to the government. The processes for how payments and revenues are recorded and verified in the extractive industries in the United States are detailed in USEITI's *Audit and Assurance Practices and Controls in the U.S. Factsheet* available here: https://useiti.doi.gov/downloads/USEITI_budget-audit-factsheet_2016-08-17.pdf.

Companies and government agencies in the United States are bound by standards that govern the ecosystem of payments in the extractive industry. Professional associations and government agencies create and update standards that are used by internal and external

parties. Even before payments are made, standards influence company and agency behavior. When payments are made, there are controls to test and monitor financial reporting accuracy. Audits and reporting standards verify that companies pay what they owe and the government reports what they receive. This includes audits of financial statements.

Reconciliation and Mainstreaming

Once a country is approved for mainstreaming, it is no longer required to undergo the reconciliation process. If EITI data is comprehensive and reliable and financial data is "audited in accordance with international standards, the procedure does not require a comprehensive reconciliation of government revenues and company payments." This section details the processes for reconciliation, assurance and audit that are already in place at ONRR and other US Government agencies. There are generally four levels of mainstreamed controls:

- Upfront Reconciliation of Transaction Data Between DOI, Treasury and Companies
- Internal Audit and other Assurance Processes within DOI
- External Audit of DOI
- Other Ad-hoc Oversight from the Office of Inspector General, Congress and other Bodies

Important to note as part of the pre-reconciliation process integral to ONRR's function of receiving and processing company reporting and payments and ONRR conducts 100% upfront reconciliation.

This report covers Rents, Royalties and Bonuses, which together constitute 95% of DOI revenue streams, as Corporate Income Taxes. See table below for detail.

Revenue Stream	% of DOI Revenues	Up-Front Reconciliation	Internal Controls	External Audits	Ad-Hoc Oversight
ONRR Royalties	78.2%	✓	✓	✓	✓
ONRR & BLM Bonuses	14.6%	✓	✓	✓	✓
ONRR & BLM Rents	3.1%	✓	✓	✓	✓
OSMRE AML Fees	2.5%	✓	✓	✓	✓
BLM Permit Fees	1.3%	✓	✓	✓	✓
ONRR Offshore Inspection Fees	0.7%	✓	✓	✓	✓
ONRR Other Revenue	0.4% *(Negative Amount)*	✓	✓	✓	✓
ONRR Civil Penalties	0.1%	✓	✓	✓	✓
OSMRE Civil Penalties	0.03%	✓	✓	✓	✓
Corporate Income Taxes	N/A	✓	✓	✓	✓

Note: % totals are higher than 100% due to rounding and the fact that ONRR Other Revenue's total for 2015 was negative.

[Insert table showing USEITI Revenue Streams, % of Total Revenue, and coverage in this report. IA recommends we document processes for Rents, Royalties and Bonuses, and Corporate Income Tax as part of first wave. Other Revenue Streams can be added as needed].

Upfront Reconciliation Process

ONRR's mission is to collect, account for, and verify Federal, State, and Indian energy and other natural resource revenues due to States, American Indians, and the U.S. Treasury on behalf of all Americans. Each month, ONRR receives and processes 49,000 royalty and production reports. To ensure that ONRR collects the proper revenues, it performs automated processes coordinating payments and reporting with industry and the U.S. Government, and may perform further controls such as audits to ensure proper payments.

[AWAITING ADDITIONAL INFORMATION ON PRE-RECONCILIATION PROCESS FROM DOI/ONRR]

Figure 1. Verification of Payments by ONRR

U.S. Treasury, Single Source Cash Flow

The US Treasury and Federal Reserve System (Treasury) serve as the sole provider of financial services for all US federal agencies to include ONRR. Treasury maintains a centralized system of accounts for ONRR. The core tenet of this centralized system of accounts is that no single federal agency controls the receipt and payment of public funds. All federal agencies that handle government financial transactions must properly perform their function to support internal government control and the system of central accounts. Treasury performs variance analysis and various other reconciliations on transactions and balances contained within its systems. Treasury contacts ONRR with any questions they may have and can request ONRR justify or make changes. Interior's External Auditor also samples deposit and disbursement data from all Treasury systems and traces that data back to originating lease documents with ONRR's systems or other agency accounting advices. To accomplish these ends, there are several primary systems maintained by Treasury that ONRR utilizes for cash flows. The primary systems ONRR uses to manage cash flows are the Collections Information Repository (CIR) for revenue collections, Intra-governmental Payments and Collections System (IPAC), Secure Payment System (SPS) for disbursements and the Central Accounting Reporting System (CARS) for treasury fund reconciliation.

ONRR receives the majority of its oil and gas collections through the Collections Information Repository (CIR). CIR serves as a transaction broker, data warehouse, and reporting solution that provides a single touch-point to exchange all financial transaction information for settled transactions across all collections systems. This enables the US Government to normalize financial transaction reporting and standardize the availability of financial information across all settlement mechanisms and collections systems. CIR greatly improves the way ONRR collects, analyzes, and redistributes financial transaction information, which in turn eliminates redundancies and disconnects across and between the numerous point-to-point connections. The system is self-contained with various related external system interfaces. CIR provides ONRR with collection related to payments from the public sent via Fedwire,Pay.gov, ACH, and check. All payment method transaction information submitted to ONRR is summarized daily into Vouchers by CIR. CIR does not allow ONRR to create or alter deposit information.

Whereas ONRR uses CIR for collections from the public, Intra-governmental Payments and Collections System (IPAC) is used for oil and gas revenues collected by other federal agencies and transferred to ONRR via IPAC. ONRR also uses IPAC to disburse revenue to other federal agencies in accordance with applicable statutes. The IPAC System's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intragovernmental transfer of funds, with descriptive data from one FPA to another. The IPAC System enables FPAs to exchange accounting and other pertinent information to assist in the reconciliation of funds transferred between FPAs for various interagency transaction types (buy/sell, fiduciary, and other miscellaneous payment and collection transactions). A Sender and Receiver TAS/BETC are validated in the Shared Accounting Module (SAM) and transmitted to the Central Accounting Reporting System (CARS) Account Statements at the time of IPAC origination. IPAC standardizes interagency payment, collection, and adjustment procedures through an internet-based application.

Conversely, the Secure Payment System (SPS) is an application that allows government agencies to create payment schedules in a secure fashion; with strictly enforced separation of duties. Access to SPS is rigidly controlled by both Treasury and ONRR. SPS is ONRR's only avenue to disburse revenue from Treasury to state or local governments and to refund overpayments back to oil and gas companies.

Lastly, ONRR uses the Central Accounting Reporting System (CARS) to report and reconcile all collections and disbursements activity. CARS is a one-stop access point to:

- provide and retrieve data and information from Treasury,
- capture and record Treasury Account Symbol (TAS) information for payments,
- deposits, and intra-governmental transactions,
- provides an account statement of the fund balance with Treasury,
- allows access to transaction detail to support research and reconciliation,
- improves the usability and currency of government-wide financial information,
- minimizes data redundancy and enhances data sharing between Treasury's central accounting system, financial service provider systems, and agency core financial systems.

ONRR users reconcile the CARS fund balance with Treasury to ONRR's accounting system and via reclassification of collection and disbursement transactions to the proper fund within Treasury. This reconciliation process is performed in the first three business days of each month. Any statements of difference between Treasury and ONRR are not permitted. All discrepancies and out of balances found must be corrected during the current accounting period, or a restatement is required for closed periods. CARS does not allow ONRR to create or delete transactions from the system.

DOI's Internal Controls & Processes

Standards, controls, and audits play an integral role in data validation in the U.S. Some standards relate to controls, while others subject data to additional management—primarily via independent audits. Controls are the first step to ensure data validation, and are particularly important for Companies as most data is not publically available even once validated and reported to the Government. These controls help Companies report correct data on the first attempt, as Companies are subject to penalties if found incorrectly calculating or reporting payments. Audits are designed to ensure that the appropriate controls are in place at both Companies and Government agencies. They are also intended to validate that the proper payments occur. Internal and external auditors work in concert with Companies and the IRS to make sure that payment data is correct.

Internal Controls

[AWAITING INFORMATION FROM DOI/ONRR]

Audit & Compliance Management Function

[AWAITING INFORMATION FROM DOI/ONRR]

Third Party Audit Procedures

[LANGUAGE AND INFO COMING FROM RIWG AND OIG AT DOI ONCE CONTRACT DISPUTE IS RESOLVED]

Ad-hoc Oversight

[AWAITING INFORMATION FROM DOI/ONRR]

[Include information on Congressional and OIG processes for oversight in the U.S.]

Recommendation on Mainstreaming

Based on available evidence, the <<Insert Group Name>> recommends/does not recommend that USEITI pursues mainstreaming by ordering a formal feasibility study from the independent administrator. There are X key reasons for this recommendation.

1. *Insert rationale for recommendation here.*
2. *Insert rationale for recommendation here.*
3. *Insert rationale for recommendation her*

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Appendix – Stakeholder Interview Notes

Interviewees

The IA interviewed 9 MSG members and alternates from each of the three sectors.

Sector	Name	Organization
Civil Society	Danielle Brian	Project on Government Oversight
Civil Society	Keith Romig, Jr.	United Steelworkers
Industry	Veronika Kohler	National Mining Association
Industry	Phil Denning	Shell Oil Company
Industry	Aaron Padilla	American Petroleum Institute
Government	Greg Gould	Department of the Interior
Government	Curtis Carlson	Department of the Treasury
Government	Mike Matthews	State of Wyoming – Department of Audit
Government	Jim Steward	Department of the Interior

Responses

The interviews covered the individuals' goals for USEITI, the U.S. track record of reconciliation, and evaluating the data quality of USEITI as they related to mainstreaming. Key takeaways on those subjects are included below. They are organized by sector.

Topic	Sector	Takeaway
Goals for USEITI	CSO	CSO representatives spoke of a range of goals for USEITI, including: consolidating already available public data in an easily accessible place, creating a meaningful contextual narrative, revealing new information that had not previously been publicly available, and representing specific constituents.

		CSO split on the fit of reconciliation into their goals. A view was expressed that reconciliation was inherently comparing company data to company data (i.e., government data was just company data provided to the government by the company). Another viewed reporting and reconciliation as a positive with the exception of tax reporting and reconciliation. Neither saw mainstreaming specifically fitting into their goals for USEITI.
Goals for USEITI	Government	Government expressed a range of goals, including: educating the public, participating and leading on an international stage, creating something useful for public and the government, improving government operations, achieving a workable solution within U.S. laws, and achieving validation. Government did not see reconciliation as a part of their goals, a value add for the U.S. public, a valuable use of taxpayer money, an achievable reality for taxes, or valuable to USEITI as a whole. Mainstreaming was seen as the only feasible way for the U.S. to achieve validation, easier, and likely to increase participation. They see audits and controls in the U.S. as already achieving the purpose of reconciliation as laid out in USEITI.
Goals for USEITI	Industry	Industry stated goals for USEITI of increasing transparency and data accessibility to the public, increasing public understanding and confidence, articulating the current state of U.S. management as a model internationally, and building trust with the other sectors. Industry did not see reconciliation as fitting materially into those goals. Responses noted it as a check-the-box exercise and a waste of time. Mainstreaming is seen as essential by industry, and merited based on the current systems in place.

		Mainstreaming would save taxpayer money, reduce the burden on companies, and frees up time to undertake activities more useful for the American public.
Track Record of Reconciliation	CSO	CSO saw the track record of reconciliation as strong with regards to non-tax revenue but as weak and lacking reporting and reconciliation of taxes.
Track Record of Reconciliation	Government	Government saw the track record of revenues as very strong given the U.S. system of audits, controls, checks, and balances. They viewed tax reporting and reconciliation as the biggest weakness given the legal prohibitions against disclosure and the lack of company involvement. Government viewed the decline in the number of companies as an effect of broader market forces (the decline in commodity prices and company bankruptcies) not specifically reflective of USEITI.
Track Record of Reconciliation	Industry	Industry saw the track record of reconciliation in the United States as strong given audits, controls, and systems in place in the United States. Reconciliation helped to prove in another way that the numbers match and that the U.S. has already mainstreamed. Industry didn't view the decline in the number as important; they saw reconciliation as having it achieved its purpose of showing the dollars match. They also saw it as not decreasing the amount of information available given data disclosures.
Evaluating U.S. Data Quality	CSO	CSO saw the strength of U.S. data in government disclosure and the promise of government project-level disclosure, even if it's upon request. CSO also noted that U.S. data was up-to-date and reliable. CSO viewed the lack of tax reporting and reconciliation and the repeal of Dodd-Frank as 1504 as the fatal weakness of U.S. data quality.
Evaluating U.S. Data Quality	Government	Government saw the strength of U.S. data in it being up-to-date, reliable due to the stringent system of audits and controls in the United States, and comprehensive for

		nontax revenues. They noted that USEITI has achieved an unprecedented level of disclosure and that contextual narrative information helped to make data comprehensible. They viewed the lack of tax disclosure, given U.S. laws, as the chief weakness in U.S. data comprehensiveness and the repeal of Dodd-Frank 1504 as fatal to U.S. hopes of achieving that kind of disclosure, and with it mainstreaming.
Evaluating U.S. Data Quality	Industry	Industry articulated an extensive list of U.S. data quality strengths, including: public accessibility, level of disaggregation, up-to-date nature, and reliability based on controls and audits, contextual explanations of data, and comprehensive release of appropriate data. Industry generally saw less cause for concern with the repeal of 1504 and articulated cases for how the U.S. can mainstream given current controls and disclosures. They saw limited influence on U.S. companies due to EU directives related to disclosure.

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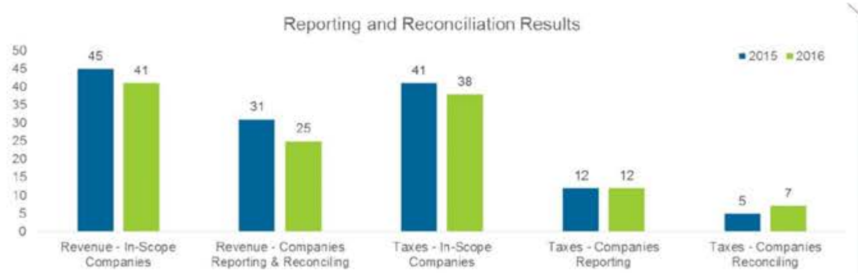

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Variances Resolved or Explained	100%	100%

Commented [KMO1]: I think right up front we need to exploit our success with the UDR. How we got there and what it has meant to the US in terms of going above and beyond the Standard for reporting revenues.

Commented [KMO2]: I would not recommend beginning a sentence with a number. Also is this 19 or 21 variances? The 2016 Report shows 21. Please confirm.

Commented [KMO3]:
DOI Revenues "Reported"

Company Taxes "Reported"

Here you say in 2016 21 variances, but in the paragraph right before it you say 19 variances. Please confirm.

Did we reconcile 100% of 2014 and 2015 revenues? I thought we just reported 2014 but reconciled 2015 revenues? The 2016 column is confusing.

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What are the expected results in 2017?

[This section will describe the planned process for the US in 2017 and beyond based on continued UDR disclosures, contextual narrative, etc.]

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How does the government embed and increase disclosures?

The U.S. government publicly discloses much of the data that has been embedded in the USEITI Data Portal, and provides much of the data necessary for embedding disclosures through the Department of the Interior's Office of Natural Resources Revenue (ONRR) Data Portal. This data is updated annually. Some of the key strengths of this system are that:

- The ONRR Data Portal includes **federal production data** for 55 products from 2005 to 2015. This data can be filtered by product type, region (including state and county), and year. It also discloses and publishes **federal revenue by both location and company**. Location data can be filtered by commodity category and/or region and goes from 2004 to 2015. Company data can be filtered by commodity and/or revenue type and covers 2015 revenue.
- The portal includes **economic impact data on the extractive industries**, including Gross Domestic Product, Exports, and Jobs. It can be filtered by region, with results shown as $ values or % values, from 2004 to 2015. Additional filters include by commodity for exports and by job type for jobs.
- Beyond disclosing DOI data, the data portal **aggregates and makes accessible relevant data sets from other government organizations**, including the Energy Information Administration, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

In addition to the USEITI Data Portal, ONRR's Statistical Information Site (http://statistics.onrr.gov/) provides datasets on disbursement (at a fund or state level and by fiscal year) and reported revenue data (including sales volumes, sales values, and revenue by commodity).

The portal also includes reconciliation data and corporate income tax data for those companies that have opted to report their tax data. Currently, the U.S. cannot share tax data on any companies, until such legal reform requiring companies to do so is passed or put in place. Currently, the government is not able to legally disclose their tax data without the consent of the company. This may present a barrier to approval of mainstreaming. However, the US Department of Treasury discloses aggregate tax payments by Industry. [Further describe the nature of Treasury disclosures.]

Commented [KMO4]: What do you mean by the ONRR Data Portal? Are you talking about the USEITI Data Portal? Or the ONRR Website? Would be smart to link to any websites you refer to throughout the document and cite them as well.

Commented [KMO5]: 55 products of what? This is not specific.

Commented [KMO6]: Should we make the distinction upfront between the types of revenues because throughout the document we also talk about tax revenues which I don't think applies here?

Commented [KMO7]: Which portal? You mentioned two different portals above.

Commented [KMO8]: What about State Governments and County Governments?

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In summary, the Government discloses the majority of data required for mainstreaming on the USEITI data portal. Disclosures by Treasury provide information on taxes at an aggregate industry level but not by company. Opportunities for the government to increase and embed disclosures include the expansion of the revenue streams disclosed, including the coal excise tax, and the commodities in-scope.

How does the extractives industry increase and embed disclosures?

Currently, industry reporting of EITI-related data is voluntary. A number of companies voluntarily report data or report data according to European regulations.

- **Oil & Gas**: Five major oil and gas companies report detailed government payments information in the United States outside of USEITI. They are BP, ENI, Shell, Statoil, and Total. None of these reports include tax information.
    - **BP** reports according to British regulations (UK's Report on Payments to Governments Regulations 2014 (as amended in December 2015)) and reports payments to governments at the project level. Their payments are unaudited but independently assured by Ernst and Young.
    - **ENI** voluntarily reports payments to government on a national level. Their report contains additional contextual information. It is unaudited.
    - **Shell** voluntary reported payments to governments prior to the implementation of British regulations and now reports according to those regulations. It reports all payments to governments at the project level. This report is unaudited.
    - **Statoil** reports payments to government according to Norwegian law, at the project and government levels. It also includes contextual information in their annual report. Their report is unaudited.
    - **Total** reports according to French law and reports all payments to governments, including at the city and the county level. Their report is not audited.
- **Coal & Hardrock**: BHP Billiton and Rio Tinto are two major coal and hardrock companies that voluntarily report detailed government payments information in the United States.
    - **BHP Billiton** reports government payments (both tax and non-tax) as well as contextual information and data on broader economic contributions such as?. Their non-tax data includes payments to governments and on a project level. Their report is audited by an independent auditor according to Australian Auditing Standards.
    - **Rio Tinto** reports payments to governments (both tax and non-tax) and publishes an annual *Taxes Paid* report. Payments are reported on a government and project level. The report includes economic contribution data and contextual information, including case studies. The report is independently audited.

Commented [KMO9]: Will there be anything written about company internal controls and processes? I know they vary but some of the controls are the same, most SEC companies all follow SOX as a reform effort. Perhaps it would be worth interviewing one or two of the MSG companies to document a high level overview of internal controls and processes. It was mentioned at several MSG meetings that the governments internal controls are robust, but so are companies.

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These reports suggest best practices for encouraging further disclosure of payments by private companies.

[THIS SECTION TO BE UPDATED TO INCLUDE ADDITIONAL VOLUNTARY DISCLOSURES MADE BY COMPANIES AS PART OF SEC FILINGS, UNDER EU DIRECTIVE 10 AND AS PART OF USEITI]

Evaluating Data Quality

The requirements for mainstreaming include determining whether data from both government and industry sources is up to date, comprehensive, and reliable outside of the EITI reporting structures. The U.S. performs strongly on data quality and provides up to date, comprehensive, and reliable data as required by the International Standard.

Up to Date Data

EITI requires information be reported on an annual basis. Where the government and industry currently report, data is disclosed on an annual basis in the U.S. In addition, ONRR unilaterally discloses payments on an annual basis through the USEITI data portal.

Commented [KMO10]: I am not sure what you are trying to say here. Please reference the actual requirement and say how the US has either met or gone above and beyond meeting that requirement.

Comprehensive Data

This section will discuss data comprehensiveness including:

- Comprehensiveness of disclosure through the UDR – The government's unilateral disclosure of revenues received covers all in-scope, non-tax payments received by the government, including for companies not in scope of USEITI.
- Comprehensiveness of tax disclosures
- Brief discussion of emerging requirements and potential for mainstreamed implementation – e.g. beneficial ownership, project level

Commented [KMO11]: Why is there placeholder language in this section? The IA knows well the comprehensiveness of data for UDR and revenue/tax reporting. The IA also knows the US has agreed on the BO Roadmap and have not agreed on a project level definition but instead agreed to disclose on the company level pending the PL definition.

Reliable Data

Extractive industries companies and the U.S. government are subject to laws and regulations that guide the process for receiving payments and for companies making payments to the government. The processes for how payments and revenues are recorded and verified in the extractive industries in the United States are detailed in USEITI's *Audit and Assurance Practices and Controls in the U.S. Factsheet* available here: https://useiti.doi.gov/downloads/USEITI_budget-audit-factsheet_2016-08-17.pdf.

Commented [KMO12]: This section is insufficient. It is not enough to reference a fact sheet on the data portal. Please give detailed examples of why data in the US is so reliable.

Companies and government agencies in the United States are bound by standards that govern the ecosystem of payments in the extractive industry. Professional associations and government agencies create and update standards that are used by internal and external

parties. Even before payments are made, standards influence company and agency behavior. When payments are made, there are controls to test and monitor financial reporting accuracy. Audits and reporting standards verify that companies pay what they owe and the government reports what they receive. This includes audits of financial statements.

Commented [KMO13]: Need more in depth explanation.

Reconciliation and Mainstreaming

Once a country is approved for mainstreaming, it is no longer required to undergo the reconciliation process. If EITI data is comprehensive and reliable and financial data is "audited in accordance with international standards, the procedure does not require a comprehensive reconciliation of government revenues and company payments." This section details the processes for reconciliation, assurance and audit that are already in place at ONRR and other US Government agencies. There are generally four levels of mainstreamed controls:

- Upfront Reconciliation of Transaction Data Between DOI, Treasury and Companies
- Internal Audit and other Assurance Processes within DOI
- External Audit of DOI
- Other Ad-hoc Oversight from the Office of Inspector General, Congress and other Bodies

Important to note as part of the pre-reconciliation process integral to ONRR's function of receiving and processing company reporting and payments and ONRR conducts 100% upfront reconciliation.

This report covers Rents, Royalties and Bonuses, which together constitute 95% of DOI revenue streams, as Corporate Income Taxes. See table below for detail.

Revenue Stream	% of DOI Revenues	Up-Front Reconciliation	Internal Controls	External Audits	Ad-Hoc Oversight
ONRR Royalties	78.2%	✓	✓	✓	✓
ONRR & BLM Bonuses	14.6%	✓	✓	✓	✓
ONRR & BLM Rents	3.1%	✓	✓	✓	✓
OSMRE AML Fees	2.5%	✓	✓	✓	✓
BLM Permit Fees	1.3%	✓	✓	✓	✓
ONRR Offshore Inspection Fees	0.7%	✓	✓	✓	✓
ONRR Other Revenue	0.4% *(Negative Amount)*	✓	✓	✓	✓
ONRR Civil Penalties	0.1%	✓	✓	✓	✓
OSMRE Civil Penalties	0.03%	✓	✓	✓	✓
Corporate Income Taxes	N/A	✓	✓	✓	✓

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Note: % totals are higher than 100% due to rounding and the fact that ONRR Other Revenue's total for 2015 was negative.

[Insert table showing USEITI Revenue Streams, % of Total Revenue, and coverage in this report. IA recommends we document processes for Rents, Royalties and Bonuses, and Corporate Income Tax as part of first wave. Other Revenue Streams can be added as needed].

Upfront Reconciliation Process

ONRR's mission is to collect, account for, and verify Federal, State, and Indian energy and other natural resource revenues due to States, American Indians, and the U.S. Treasury on behalf of all Americans. Each month, ONRR receives and processes 49,000 royalty and production reports. To ensure that ONRR collects the proper revenues, it performs automated processes coordinating payments and reporting with industry and the U.S. Government, and may perform further controls such as audits to ensure proper payments.

[AWAITING ADDITIONAL INFORMATION ON PRE-RECONCILIATION PROCESS FROM DOI/ONRR]

Figure 1. Verification of Payments by ONRR

U.S. Treasury, Single Source Cash Flow

The US Treasury and Federal Reserve System (Treasury) serve as the sole provider of financial services for all US federal agencies to include ONRR. Treasury maintains a centralized system of accounts for ONRR. The core tenet of this centralized system of accounts is that no single federal agency controls the receipt and payment of public funds. All federal agencies that handle government financial transactions must properly perform their function to support internal government control and the system of central accounts. Treasury performs variance analysis and various other reconciliations on transactions and balances contained within its systems. Treasury contacts ONRR with any questions they may have and can request ONRR justify or make changes. Interior's External Auditor also samples deposit and disbursement data from all Treasury systems and traces that data back to originating lease documents with ONRR's systems or other agency accounting advices. To accomplish these ends, there are several primary systems maintained by Treasury that ONRR utilizes for cash flows. The primary systems ONRR uses to manage cash flows are the Collections Information Repository (CIR) for revenue collections, Intra-governmental Payments and Collections System (IPAC), Secure Payment System (SPS) for disbursements and the Central Accounting Reporting System (CARS) for treasury fund reconciliation.

ONRR receives the majority of its oil and gas collections through the Collections Information Repository (CIR). CIR serves as a transaction broker, data warehouse, and reporting solution that provides a single touch-point to exchange all financial transaction information for settled transactions across all collections systems. This enables the US Government to normalize financial transaction reporting and standardize the availability of financial information across all settlement mechanisms and collections systems. CIR greatly improves the way ONRR collects, analyzes, and redistributes financial transaction information, which in turn eliminates redundancies and disconnects across and between the numerous point-to-point connections. The system is self-contained with various related external system interfaces. CIR provides ONRR with collection related to payments from the public sent via Fedwire,Pay.gov, ACH, and check. All payment method transaction information submitted to ONRR is summarized daily into Vouchers by CIR. CIR does not allow ONRR to create or alter deposit information.

Whereas ONRR uses CIR for collections from the public, Intra-governmental Payments and Collections System (IPAC) is used for oil and gas revenues collected by other federal agencies and transferred to ONRR via IPAC. ONRR also uses IPAC to disburse revenue to other federal agencies in accordance with applicable statutes. The IPAC System's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intragovernmental transfer of funds, with descriptive data from one FPA to another. The IPAC System enables FPAs to exchange accounting and other pertinent information to assist in the reconciliation of funds transferred between FPAs for various interagency transaction types (buy/sell, fiduciary, and other miscellaneous payment and collection transactions). A Sender and Receiver TAS/BETC are validated in the Shared Accounting Module (SAM) and transmitted to the Central Accounting Reporting System (CARS) Account Statements at the time of IPAC origination. IPAC standardizes interagency payment, collection, and adjustment procedures through an internet-based application.

Conversely, the Secure Payment System (SPS) is an application that allows government agencies to create payment schedules in a secure fashion; with strictly enforced separation of duties. Access to SPS is rigidly controlled by both Treasury and ONRR. SPS is ONRR's only avenue to disburse revenue from Treasury to state or local governments and to refund overpayments back to oil and gas companies.

Lastly, ONRR uses the Central Accounting Reporting System (CARS) to report and reconcile all collections and disbursements activity. CARS is a one-stop access point to:

- provide and retrieve data and information from Treasury,
- capture and record Treasury Account Symbol (TAS) information for payments,
- deposits, and intra-governmental transactions,
- provides an account statement of the fund balance with Treasury,
- allows access to transaction detail to support research and reconciliation,
- improves the usability and currency of government-wide financial information,
- minimizes data redundancy and enhances data sharing between Treasury's central accounting system, financial service provider systems, and agency core financial systems.

ONRR users reconcile the CARS fund balance with Treasury to ONRR's accounting system and via reclassification of collection and disbursement transactions to the proper fund within Treasury. This reconciliation process is performed in the first three business days of each month. Any statements of difference between Treasury and ONRR are not permitted. All discrepancies and out of balances found must be corrected during the current accounting period, or a restatement is required for closed periods. CARS does not allow ONRR to create or delete transactions from the system.

DOI's Internal Controls & Processes

Standards, controls, and audits play an integral role in data validation in the U.S. Some standards relate to controls, while others subject data to additional management—primarily via independent audits. Controls are the first step to ensure data validation, and are particularly important for Companies as most data is not publically available even once validated and reported to the Government. These controls help Companies report correct data on the first attempt, as Companies are subject to penalties if found incorrectly calculating or reporting payments. Audits are designed to ensure that the appropriate controls are in place at both Companies and Government agencies. They are also intended to validate that the proper payments occur. Internal and external auditors work in concert with Companies and the IRS to make sure that payment data is correct.

Internal Controls

[AWAITING INFORMATION FROM DOI/ONRR]

Audit & Compliance Management Function

[AWAITING INFORMATION FROM DOI/ONRR]

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Third Party Audit Procedures

[LANGUAGE AND INFO COMING FROM RIWG AND OIG AT DOI ONCE CONTRACT DISPUTE IS RESOLVED]

Commented [KMO14]: I am not sure we will get this information timely. The IA should probably count on not receiving this info in time for this particular deliverable.

Ad-hoc Oversight

[AWAITING INFORMATION FROM DOI/ONRR]

[Include information on Congressional and OIG processes for oversight in the U.S.]

Recommendation on Mainstreaming

Based on available evidence, the <<Insert Group Name>> recommends/does not recommend that USEITI pursues mainstreaming by ordering a formal feasibility study from the independent administrator. There are X key reasons for this recommendation.

1. *Insert rationale for recommendation here.*
2. *Insert rationale for recommendation here.*
3. *Insert rationale for recommendation her*

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Appendix – Stakeholder Interview Notes

Commented [KMO15]: These notes should be shared with the interviewees to confirm the IA has captured each sectors position accurately. I have already sent them to the GOV sect for confirmation.

Interviewees

The IA interviewed 9 MSG members and alternates from each of the three sectors.

Commented [KMO16]: This looks unbalanced. I think the IA should articulate the process. For example the IA invited X number of MSG members/alternates from each sector to interview, of which the following 9 members and alternates agreed to participate. (reword how you see fit)

Sector	Name	Organization
Civil Society	Danielle Brian	Project on Government Oversight
Civil Society	Keith Romig, Jr.	United Steelworkers
Industry	Veronika Kohler	National Mining Association
Industry	Phil Denning	Shell Oil Company
Industry	Aaron Padilla	American Petroleum Institute
Government	Greg Gould	Department of the Interior
Government	Curtis Carlson	Department of the Treasury
Government	Mike Matthews	State of Wyoming – Department of Audit
Government	Jim Steward	Department of the Interior

Responses

The interviews covered the individuals' goals for USEITI, the U.S. track record of reconciliation, and evaluating the data quality of USEITI as they related to mainstreaming. Key takeaways on those subjects are included below. They are organized by sector.

Topic	Sector	Takeaway
Goals for USEITI	CSO	CSO representatives spoke of a range of goals for USEITI, including: consolidating already available public data in an easily accessible place, creating a meaningful contextual narrative, revealing new information that had not previously been publicly available, and representing specific constituents.

		CSO split on the fit of reconciliation into their goals. A view was expressed that reconciliation was inherently comparing company data to company data (i.e., government data was just company data provided to the government by the company). Another viewed reporting and reconciliation as a positive with the exception of tax reporting and reconciliation. Neither saw mainstreaming specifically fitting into their goals for USEITI.
Goals for USEITI	Government	Government expressed a range of goals, including: educating the public, participating and leading on an international stage, creating something useful for public and the government, improving government operations, achieving a workable solution within U.S. laws, and achieving validation. Government did not see reconciliation as a part of their goals, a value add for the U.S. public, a valuable use of taxpayer money, an achievable reality for taxes, or valuable to USEITI as a whole. Mainstreaming was seen as the only feasible way for the U.S. to achieve validation, easier, and likely to increase participation. They see audits and controls in the U.S. as already achieving the purpose of reconciliation as laid out in USEITI.
Goals for USEITI	Industry	Industry stated goals for USEITI of increasing transparency and data accessibility to the public, increasing public understanding and confidence, articulating the current state of U.S. management as a model internationally, and building trust with the other sectors. Industry did not see reconciliation as fitting materially into those goals. Responses noted it as a check-the-box exercise and a waste of time. Mainstreaming is seen as essential by industry, and merited based on the current systems in place.

		Mainstreaming would save taxpayer money, reduce the burden on companies, and frees up time to undertake activities more useful for the American public.
Track Record of Reconciliation	CSO	CSO saw the track record of reconciliation as strong with regards to non-tax revenue but as weak and lacking reporting and reconciliation of taxes.
Track Record of Reconciliation	Government	Government saw the track record of revenues as very strong given the U.S. system of audits, controls, checks, and balances. They viewed tax reporting and reconciliation as the biggest weakness given the legal prohibitions against disclosure and the lack of company involvement. Government viewed the decline in the number of companies as an effect of broader market forces (the decline in commodity prices and company bankruptcies) not specifically reflective of USEITI.
Track Record of Reconciliation	Industry	Industry saw the track record of reconciliation in the United States as strong given audits, controls, and systems in place in the United States. Reconciliation helped to prove in another way that the numbers match and that the U.S. has already mainstreamed. Industry didn't view the decline in the number as important; they saw reconciliation as having it achieved its purpose of showing the dollars match. They also saw it as not decreasing the amount of information available given data disclosures.
Evaluating U.S. Data Quality	CSO	CSO saw the strength of U.S. data in government disclosure and the promise of government project-level disclosure, even if it's upon request. CSO also noted that U.S. data was up-to-date and reliable. CSO viewed the lack of tax reporting and reconciliation and the repeal of Dodd-Frank as 1504 as the fatal weakness of U.S. data quality.
Evaluating U.S. Data Quality	Government	Government saw the strength of U.S. data in it being up-to-date, reliable due to the stringent system of audits and controls in the United States, and comprehensive for

Commented [KMO17]: 1504 wasn't repealed, the rules were tossed out and the SEC has to re-write new rules.

		nontax revenues. They noted that USEITI has achieved an unprecedented level of disclosure and that contextual narrative information helped to make data comprehensible. They viewed the lack of tax disclosure, given U.S. laws, as the chief weakness in U.S. data comprehensiveness and the repeal of Dodd-Frank 1504 as fatal to U.S. hopes of achieving that kind of disclosure, and with it mainstreaming.
Evaluating U.S. Data Quality	Industry	Industry articulated an extensive list of U.S. data quality strengths, including: public accessibility, level of disaggregation, up-to-date nature, and reliability based on controls and audits, contextual explanations of data, and comprehensive release of appropriate data. Industry generally saw less cause for concern with the repeal of 1504 and articulated cases for how the U.S. can mainstream given current controls and disclosures. They saw limited influence on U.S. companies due to EU directives related to disclosure.

Commented [KMO18]: 1504 wasn't repealed, the rules were tossed out and the SEC has to re-write new rules.

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Mainstreaming Feasibility Study

March 2017

Deloitte.

The United States Extractive Industries Transparency Initiative

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Executive Summary

This section will summarize the history of reconciliation, the UDR and other disclosures, and the controls in place in the US. It will lay out the case for the appropriateness of mainstreaming. It is meant to include an Independent Administrator (IA) conclusion like the below.

Based on the evidence available the USEITI <<Insert Group Name>> recommends / does not recommend pursing mainstreaming by ordering the following steps from the Independent Administrator.

Commented [KR1]: What is UDR an acronym for: Unilateral Disclosure Report or Unilateral Disclosure of Revenues as hinted at on page 7, first bullet, under Comprehensive Data.

Commented [KR2]: Throughout the document, sometimes US is used and other times U.S., need to be consistent.

Mainstreaming Overview

What is the purpose and process for mainstreaming?

The objective of mainstreaming is to recognize implementing countries that make transparency integral to their systems. Requirement six of the EITI Standard states that "where legally and technically feasible, implementing countries should consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis." Mainstreaming is the formal process countries pursue to demonstrate integrated transparency. The process consists of seven phases: formal commitment, feasibility study, work plan, application, approval, implementation, and review.

[Describe what this report includes: formal commitment, feasibility study].

[For discussion, should we include work plan and application?]

What does the feasibility study entail?

The feasibility study consists of four main components including a review of materials, stakeholder consultation, feasibility report, and plan of action. The Mainstreaming Feasibility Study requires information on the track record of reconciliation, an explanation of how the U.S. will increase and embed disclosures, an evaluation of data quality, and options for data reconciliation. This study makes an evaluation of U.S. readiness on each of those components below.

[Describe all steps taken to prepare this report including review of materials, stakeholder consultation, feasibility report and plan of action.]

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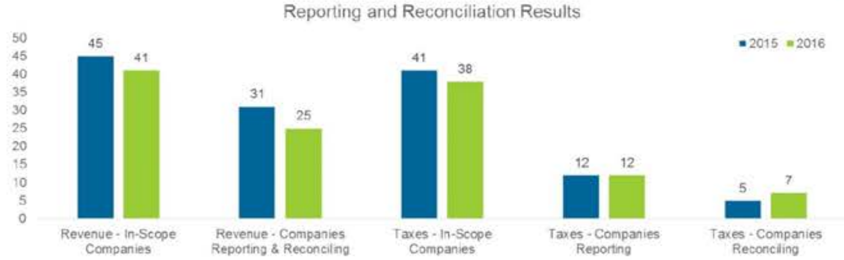
U.S. Track Record of Reconciliation

In order for countries to be considered for mainstreaming, the candidate must have a track record of reconciliation without major errors. The EITI does not define the length of time required, a materiality threshold, or a maximum number of discrepancies. As a result, this section will contain a summary of the US record of reconciliation, thresholds, unexplained variances, etc.

What is the U.S. record of results for reconciliation?

The U.S. conducted its first reconciliation in 2015. The period of reconciliation was Calendar Year (CY) 2013. Across 31 companies and 11 revenue streams, overall variance for all revenues came to $1,406,472,132.22, or 14%. 17 discrepancies exceeded the margins of variance determined by the MSG. The IA—working with in-scope companies and government entities—resolved or explained all discrepancies. Explanations included differences regarding when payments were recorded and how they were classified.

In the following year, the U.S. conducted its second reconciliation, covering CY 2015. Of 25 companies, the overall variance for all revenues came to $1,345,728,664, or 22.9%. 19 discrepancies exceeded the margins of variance determined by the MSG. All 19 were resolved or explained for the same reasons mentioned above.



Result	2015	2016
DOI Revenues Released	100% of 2013 revenues	100% of 2014 and 2015 revenues
Companies Participating	31 of 45 companies	25 of 41 companies
Revenues Reported & Reconciled	$8.5B (81% of in-scope, 67% of all DOI revenues)	$4.83B (79% of in-scope, 62% of all DOI revenues)
Companies Releasing Taxes	12 of 41 reported $190M	12 of 38 reported -$308M
Companies Reconciling Taxes	5 of 41 reconciled $90M	7 of 38 reconciled -$130M
Variances	17	21
Variances Resolved or Explained	100%	100%

Commented [KMO3]: I think right up front we need to exploit our success with the UDR. How we got there and what it has meant to the US in terms of going above and beyond the Standard for reporting revenues.

Commented [KR4]: Maybe mention that the reconciliation attempted to cover companies who together reported over 80% of revenues paid to ONRR which established the reconciliation threshold for both years.

Commented [KR5]: Where did these numbers come from? According to the IA's gov't & company reconciliation summary on the Data Portal, the total variances for the 11 DOI revenue types was $93,976,582 (that no. not there – I did the math).

Commented [KR6]: Where did these numbers come from? According to the IA's gov't & company reconciliation summary on the Data Portal, the total variances for the 11 DOI revenue types was $156,185,520582 (that no. not there – I did the math).

Commented [KMO7]: I would not recommend beginning a sentence with a number. Also is this 19 or 21 variances? The 2016 Report shows 21. Please confirm.

Commented [KR8]: Regarding the Table, I think there should be some narrative above which explains why there is a difference in the number of total revenue vs taxes in-scope reporting companies.

Under the 2016 column, first line it appears that we were reconciling CY2014 & CY 2015 revenues – needs to be made clear it was only CY2015.

The bottom two lines "Variances" and "Variances Resolved or Explained" should be moved up under the "Revenues Reported and Reconciled" as that is what the variances pertained to – not at all related to taxes –or are they?

Commented [KMO9]:
DOI Revenues "Reported"

Company Taxes "Reported"

Here you say in 2016 21 variances, but in the paragraph right before it you say 19 variances. Please confirm.

Did we reconcile 100% of 2014 and 2015 revenues? I thought we just reported 2014 but reconciled 2015 revenues? The 2016 column is confusing.

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What are the expected results in 2017?

[This section will describe the planned process for the US in 2017 and beyond based on continued UDR disclosures, contextual narrative, etc.]

Increasing and Embedding Disclosures

How does the government embed and increase disclosures?

The U.S. government publicly discloses much of the data that has been embedded in the USEITI Data Portal, and provides much of the data necessary for embedding disclosures through the Department of the Interior's Office of Natural Resources Revenue (ONRR) Data Portal. This data is updated annually. Some of the key strengths of this system are that:

- The ONRR Data Portal includes **federal production data** for 55 products from 2005 to 2015. This data can be filtered by product type, region (including state, county, and offshore region), and year. It also discloses and publishes **federal revenue by both location and company**. Location data can be filtered by commodity category and/or region and goes from 2004 to 2015. Company data can be filtered by commodity and/or revenue type and covers 2015 revenue.
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Commented [KMO11]: 55 products of what? This is not specific.

Commented [KR12]: Both calendar and fiscal years.

Commented [KR13]: Are you referring to the UDR here as that's the only place where company payments are disclosed on a national level.

Commented [KMO14]: Should we make the distinction upfront between the types of revenues because throughout the document we also talk about tax revenues which I don't think applies here?

Commented [KR15]: If you are referring to the UDR file, then it should be CYs 2013-2015 and maybe even through CY2016 as I provided that UDR file to the USEITI Secretariat on March 9 for inclusion to the Data Portal. Should also mention somewhere that only companies paying over $100K per year to DOI were individually disclosed – all the others were rolled together.

Commented [KMO16]: Which portal? You mentioned two different portals above.

Commented [KMO17]: What about State Governments and County Governments?

Commented [KR18]: Should add that this revenue data is disclosed at the state, onshore, offshore, Indian, etc. levels.

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In summary, the Government discloses the majority of data required for mainstreaming on the USEITI Data Portal. Disclosures by Treasury provide information on taxes at an aggregate industry level but not by company. Opportunities for the government to increase and embed disclosures include the expansion of the revenue streams disclosed, including the coal excise tax, and the commodities in-scope.

How does the extractives industry increase and embed disclosures?

Currently, industry reporting of EITI-related data is voluntary. A number of companies voluntarily report data or report data according to European regulations.

- **Oil & Gas**: Five major oil and gas companies report detailed government payments information in the United States outside of USEITI. They are BP, ENI, Shell, Statoil, and Total. None of these reports include tax information.
    - **BP** reports according to British regulations (UK's Report on Payments to Governments Regulations 2014 (as amended in December 2015)) and reports payments to governments at the project level. Their payments are unaudited but independently assured by Ernst and Young.
    - **ENI** voluntarily reports payments to government on a national level. Their report contains additional contextual information. It is unaudited.
    - **Shell** voluntary reported payments to governments prior to the implementation of British regulations and now reports according to those regulations. It reports all payments to governments at the project level. This report is unaudited.
    - **Statoil** reports payments to government according to Norwegian law, at the project and government levels. It also includes contextual information in their annual report. Their report is unaudited.
    - **Total** reports according to French law and reports all payments to governments, including at the city and the county level. Their report is not audited.
- **Coal & Hardrock**: BHP Billiton and Rio Tinto are two major coal and hardrock companies that voluntarily report detailed government payments information in the United States.
    - **BHP Billiton** reports government payments (both tax and non-tax) as well as contextual information and data on broader economic contributions such as? Their non-tax data includes payments to governments and on a project level. Their report is audited by an independent auditor according to Australian Auditing Standards.
    - **Rio Tinto** reports payments to governments (both tax and non-tax) and publishes an annual *Taxes Paid* report. Payments are reported on a government and project level. The report includes economic contribution data and contextual information, including case studies. The report is independently audited.

Commented [KMO19]: Will there be anything written about company internal controls and processes? I know they vary but some of the controls are the same, most SEC companies all follow SOX as a reform effort. Perhaps it would be worth interviewing one or two of the MSG companies to document a high level overview of internal controls and processes. It was mentioned at several MSG meetings that the governments internal controls are robust, but so are companies.

Commented [KR20]: For ENI, Shell, Statoil, and Total it mentions four different ways that a report is unaudited – should the statements be consistent? No big deal......

These reports suggest best practices for encouraging further disclosure of payments by private companies.

[THIS SECTION TO BE UPDATED TO INCLUDE ADDITIONAL VOLUNTARY DISCLOSURES MADE BY COMPANIES AS PART OF SEC FILINGS, UNDER EU DIRECTIVE 10 AND AS PART OF USEITI]

Evaluating Data Quality

The requirements for mainstreaming include determining whether data from both government and industry sources is up to date, comprehensive, and reliable outside of the EITI reporting structures. The U.S. performs strongly on data quality and provides up to date, comprehensive, and reliable data as required by the International Standard.

Up to Date Data

EITI requires information be reported on an annual basis. Where the government and industry currently report, data is disclosed on an annual basis in the U.S. In addition, ONRR unilaterally discloses company payments on an annual basis through the USEITI Data Portal.

Commented [KMO21]: I am not sure what you are trying to say here. Please reference the actual requirement and say how the US has either met or gone above and beyond meeting that requirement.

Comprehensive Data

This section will discuss data comprehensiveness including:

- Comprehensiveness of disclosure through the UDR – The government's unilateral disclosure of revenues received covers all in-scope, non-tax payments received by the government, including for companies not in scope of USEITI.
- Comprehensiveness of tax disclosures
- Brief discussion of emerging requirements and potential for mainstreamed implementation – e.g. beneficial ownership, project level

Commented [KMO22]: Why is there placeholder language in this section? The IA knows well the comprehensiveness of data for UDR and revenue/tax reporting. The IA also knows the US has agreed on the BO Roadmap and have not agreed on a project level definition but instead agreed to disclose on the company level pending the PL definition.

Reliable Data

Extractive industries companies and the U.S. government are subject to laws and regulations that guide the process for receiving payments and for companies making payments to the government. The processes for how payments and revenues are recorded and verified in the extractive industries in the United States are detailed in USEITI's *Audit and Assurance Practices and Controls in the U.S. Factsheet* available here: https://useiti.doi.gov/downloads/USEITI_budget-audit-factsheet_2016-08-17.pdf.

Commented [KMO23]: This section is insufficient. It is not enough to reference a fact sheet on the data portal. Please give detailed examples of why data in the US is so reliable.

Companies and government agencies in the United States are bound by standards that govern the ecosystem of payments in the extractive industry. Professional associations and government agencies create and update standards that are used by internal and external

parties. Even before payments are made, standards influence company and agency behavior. When payments are made, there are controls to test and monitor financial reporting accuracy. Audits and reporting standards verify that companies pay what they owe and the government reports what they receive. This includes audits of financial statements.

Commented [KMO24]: Need more in depth explanation.

Reconciliation and Mainstreaming

Once a country is approved for mainstreaming, it is no longer required to undergo the reconciliation process. If EITI data is comprehensive and reliable and financial data is "audited in accordance with international standards, the procedure does not require a comprehensive reconciliation of government revenues and company payments." This section details the processes for reconciliation, assurance, and audit that are already in place at ONRR and other US Government agencies. There are generally four levels of mainstreamed controls:

- Upfront Reconciliation of Transaction Data Between DOI, Treasury and Companies
- Internal Audit and other Assurance Processes within DOI
- External Audit of DOI
- Other Ad-hoc Oversight from the Office of Inspector General, Congress, and other Bodies

Important to note as part of the pre-reconciliation process integral to ONRR's function of receiving and processing company reporting and payments and ONRR conducts 100% upfront reconciliation.

This report covers CY2015 Rents, Royalties, and Bonuses, which together constitute 95% of DOI revenue streams, as Corporate Income Taxes. See table below for detail.

Commented [KR25]: Why "as"?

Revenue Stream	% of DOI Revenues	Up-Front Reconciliatio n	Internal Controls	External Audits	Ad-Hoc Oversight
ONRR Royalties	78.2%	✓	✓	✓	✓
ONRR & BLM Bonuses	14.6%	✓	✓	✓	✓
ONRR & BLM Rents	3.1%	✓	✓	✓	✓
OSMRE AML Fees	2.5%	✓	✓	✓	✓
BLM Permit Fees	1.3%	✓	✓	✓	✓
ONRR Offshore Inspection Fees	0.7%	✓	✓	✓	✓
ONRR Other Revenue	0.4% *(Negative Amount)*	✓	✓	✓	✓
ONRR Civil Penalties	0.1%	✓	✓	✓	✓
OSMRE Civil Penalties	0.03%	✓	✓	✓	✓
Corporate Income	N/A	✓	✓	✓	✓

Commented [KR26]: "Up-Front" is not hyphenated anywhere else. And get the "n" of Reconciliation on the same line.

Taxes					

Note: % totals are higher than 100% due to rounding and the fact that ONRR Other Revenues total for 2015 was negative.

[Insert table showing USEITI Revenue Streams, % of Total Revenue, and coverage in this report. IA recommends we document processes for Rents, Royalties and Bonuses, and Corporate Income Tax as part of first wave. Other Revenue Streams can be added as needed].

Upfront Reconciliation Process

ONRR's mission is to collect, account for, and verify Federal, State, and Indian energy and other natural resource revenues due to States, American Indians, and the U.S. Treasury on behalf of all Americans. Each month, ONRR receives and processes 49,000 royalty and production reports. To ensure that ONRR collects the proper revenues, it performs automated processes coordinating payments and reporting with industry and the U.S. Government, and may perform further controls such as audits to ensure proper payments.

Commented [KR27]: Not part of the Upfront Reconciliation Process.

[AWAITING ADDITIONAL INFORMATION ON PRE-RECONCILIATION PROCESS FROM DOI/ONRR]

Figure 1. Verification of Payments by ONRR

U.S. Treasury, Single Source Cash Flow

The US Treasury and Federal Reserve System (Treasury) serve as the sole provider of financial services for all US federal agencies including ONRR. Treasury maintains a centralized system of accounts for ONRR. The core tenet of this centralized system of accounts is that no single federal agency controls the receipt and payment of public funds. All federal agencies that handle government financial transactions must properly perform their function to support internal government control and the system of central accounts. Treasury performs variance analysis and various other reconciliations on transactions and balances contained within its systems. Treasury contacts ONRR with any questions they may have and can request ONRR justify or make changes. Interior's External Auditor also samples deposit and disbursement data from all Treasury systems and traces that data back to originating lease documents with ONRR's systems or other agency accounting advices. To accomplish these ends, there are several primary systems maintained by Treasury that ONRR utilizes for cash flows. The primary systems ONRR uses to manage cash flows are the Collections Information Repository (CIR) for revenue collections, Intra-governmental Payments and Collections System (IPAC), Secure Payment System (SPS) for disbursements and the Central Accounting Reporting System (CARS) for Treasury fund reconciliation.

ONRR receives the majority of its oil and gas collections through the Collections Information Repository (CIR). CIR serves as a transaction broker, data warehouse, and reporting solution that provides a single touch-point to exchange all financial transaction information for settled transactions across all collections systems. This enables the US Government to normalize financial transaction reporting and standardize the availability of financial information across all settlement mechanisms and collections systems. CIR greatly improves the way ONRR collects, analyzes, and redistributes financial transaction information, which in turn eliminates redundancies and disconnects across and between the numerous point-to-point connections. The system is self-contained with various related external system interfaces. CIR provides ONRR with collection related to payments from the public sent via Fedwire, Pay.gov, ACH, and check. All payment method transaction information submitted to ONRR is summarized daily into vouchers by CIR. CIR does not allow ONRR to create or alter deposit information.

Whereas ONRR uses CIR for collections from the public, Intra-governmental Payments and Collections System (IPAC) is used for oil and gas revenues collected by other federal agencies and transferred to ONRR via IPAC. ONRR also uses IPAC to disburse revenue to other federal agencies in accordance with applicable statutes. The IPAC system's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intragovernmental transfer of funds, with descriptive data from one FPA to another. The IPAC System enables FPAs to exchange accounting and other pertinent information to assist in the reconciliation of funds transferred between FPAs for various interagency transaction types (buy/sell, fiduciary, and other miscellaneous payment and collection transactions). A Sender and Receiver TAS/BETC are validated in the Shared Accounting Module (SAM) and transmitted to the Central Accounting Reporting System (CARS) Account Statements at the time of IPAC origination. IPAC standardizes interagency payment, collection, and adjustment procedures through an internet-based application.

Conversely, the Secure Payment System (SPS) is an application that allows government agencies to create payment schedules in a secure fashion; with strictly enforced separation of duties. Access to SPS is rigidly controlled by both Treasury and ONRR. SPS is ONRR's only avenue to disburse revenue from Treasury to state or local governments and to refund overpayments back to oil and gas companies.

Commented [KR28]: All these acronyms are created again below, and CARS twice, only need to do once.

Commented [KR29]: And geothermal and solid minerals, etc.

Commented [KR30]: Collections?

Commented [KR31]: What does this stand for?

Commented [KR32]: Refunds for any company reporting on any mineral, not just oil and gas.

Lastly, ONRR uses the Central Accounting Reporting System (CARS) to report and reconcile all collections and disbursements activity. CARS is a one-stop access point to:

- provide and retrieve data and information from Treasury
- capture and record Treasury Account Symbol (TAS) information for payments
- deposits, and intra-governmental transactions
- provides an account statement of the fund balance with Treasury
- allows access to transaction detail to support research and reconciliation,
- improves the usability and currency of government-wide financial information
- minimizes data redundancy and enhances data sharing between Treasury's central accounting system, financial service provider systems, and agency core financial systems

ONRR users reconcile the CARS fund balance with Treasury to ONRR's accounting system and via reclassification of collection and disbursement transactions to the proper fund within Treasury. This reconciliation process is performed in the first three business days of each month. Any statements of difference between Treasury and ONRR are not permitted. All discrepancies and out of balances found must be corrected during the current accounting period, or a restatement is required for closed periods. CARS does not allow ONRR to create or delete transactions from the system.

Commented [KR33]: The first two bullets (and maybe the third) flows OK with the lead-in "CARS is a one-stop access point to:" while the others don't because of the "s" in the leading word.

Commented [KR34]: and via doesn't seem to fit with the entire sentence structure. Actually the whole sentence is kinda clumsy.

DOI's Internal Controls & Processes

Standards, controls, and audits play an integral role in data validation in the U.S. Some standards relate to controls, while others subject data to additional management—primarily via independent audits. Controls are the first step to ensure data validation, and are particularly important for Companies as most data is not publically available even once validated and reported to the Government. These controls help Companies report correct data on the first attempt, as Companies are subject to penalties if found incorrectly calculating or reporting payments. Audits are designed to ensure that the appropriate controls are in place at both Companies and Government agencies. They are also intended to validate that the proper payments occur. Internal and external auditors work in concert with Companies and the IRS to make sure that payment data is correct.

Internal Controls

[AWAITING INFORMATION FROM DOI/ONRR]

Audit & Compliance Management Function

[AWAITING INFORMATION FROM DOI/ONRR]

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Third Party Audit Procedures

[LANGUAGE AND INFO COMING FROM RIWG AND OIG AT DOI ONCE CONTRACT DISPUTE IS RESOLVED]

Commented [KMO35]: I am not sure we will get this information timely. The IA should probably count on not receiving this info in time for this particular deliverable.

Ad-hoc Oversight

[AWAITING INFORMATION FROM DOI/ONRR]

[Include information on Congressional and OIG processes for oversight in the U.S.]

Recommendation on Mainstreaming

Based on available evidence, the <<Insert Group Name>> recommends/does not recommend that USEITI pursues mainstreaming by ordering a formal feasibility study from the independent administrator. There are X key reasons for this recommendation.

1. *Insert rationale for recommendation here.*
2. *Insert rationale for recommendation here.*
3. *Insert rationale for recommendation her*

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Appendix – Stakeholder Interview Notes

Commented [KMO36]: These notes should be shared with the interviewees to confirm the IA has captured each sectors position accurately. I have already sent them to the GOV sect for confirmation.

Interviewees

The IA interviewed 9 MSG members and alternates from each of the three sectors.

Commented [KMO37]: This looks unbalanced. I think the IA should articulate the process. For example the IA invited X number of MSG members/alternates from each sector to interview, of which the following 9 members and alternates agreed to participate. (reword how you see fit)

Sector	Name	Organization
Civil Society	Danielle Brian	Project on Government Oversight
Civil Society	Keith Romig, Jr.	United Steelworkers
Industry	Veronika Kohler	National Mining Association
Industry	Phil Denning	Shell Oil Company
Industry	Aaron Padilla	American Petroleum Institute
Government	Greg Gould	Department of the Interior
Government	Curtis Carlson	Department of the Treasury
Government	Mike Matthews	State of Wyoming – Department of Audit
Government	Jim Steward	Department of the Interior

Responses

The interviews covered the individuals' goals for USEITI, the U.S. track record of reconciliation, and evaluating the data quality of USEITI as they related to mainstreaming. Key takeaways on those subjects are included below. They are organized by sector.

Topic	Sector	Takeaway
Goals for USEITI	CSO	CSO representatives spoke of a range of goals for USEITI, including: consolidating already available public data in an easily accessible place, creating a meaningful contextual narrative, revealing new information that had not previously been publicly available, and representing specific constituents.

		CSO split on the fit of reconciliation into their goals. A view was expressed that reconciliation was inherently comparing company data to company data (i.e., government data was just company data provided to the government by the company). Another viewed reporting and reconciliation as a positive with the exception of tax reporting and reconciliation. Neither saw mainstreaming specifically fitting into their goals for USEITI.
Goals for USEITI	Government	Government expressed a range of goals, including: educating the public, participating and leading on an international stage, creating something useful for public and the government, improving government operations, achieving a workable solution within U.S. laws, and achieving validation. Government did not see reconciliation as a part of their goals, a value add for the U.S. public, a valuable use of taxpayer money, an achievable reality for taxes, or valuable to USEITI as a whole. Mainstreaming was seen as the only feasible way for the U.S. to achieve validation, easier, and likely to increase participation. They see audits and controls in the U.S. as already achieving the purpose of reconciliation as laid out in USEITI.
Goals for USEITI	Industry	Industry stated goals for USEITI of increasing transparency and data accessibility to the public, increasing public understanding and confidence, articulating the current state of U.S. management as a model internationally, and building trust with the other sectors. Industry did not see reconciliation as fitting materially into those goals. Responses noted it as a check-the-box exercise and a waste of time. Mainstreaming is seen as essential by industry, and merited based on the current systems in place.

		Mainstreaming would save taxpayer money, reduce the burden on companies, and free up time to undertake activities more useful for the American public.
Track Record of Reconciliation	CSO	CSO saw the track record of reconciliation as strong with regards to non-tax revenue but as weak and lacking reporting and reconciliation of taxes.
Track Record of Reconciliation	Government	Government saw the track record of revenues as very strong given the U.S. system of audits, controls, checks, and balances. They viewed tax reporting and reconciliation as the biggest weakness given the legal prohibitions against disclosure and the lack of company involvement. Government viewed the decline in the number of companies as an effect of broader market forces (the decline in commodity prices and company bankruptcies) not specifically reflective of USEITI.
Track Record of Reconciliation	Industry	Industry saw the track record of reconciliation in the United States as strong given audits, controls, and systems in place in the United States. Reconciliation helped to prove in another way that the numbers match and that the U.S. has already mainstreamed. Industry didn't view the decline in the number as important; they saw reconciliation as having it achieved its purpose of showing the dollars match. They also saw it as not decreasing the amount of information available given data disclosures.
Evaluating U.S. Data Quality	CSO	CSO saw the strength of U.S. data in government disclosure and the promise of government project-level disclosure, even if it's upon request. CSO also noted that U.S. data was up-to-date and reliable. CSO viewed the lack of tax reporting and reconciliation and the repeal of Dodd-Frank 1504 as the fatal weakness of U.S. data quality.
Evaluating U.S. Data Quality	Government	Government saw the strength of U.S. data in it being up-to-date, reliable due to the stringent system of audits and controls in the United States, and comprehensive for

Commented [KR38]: project-level and up-to-date are not hyphenated in prior instances throughout the document.

Commented [KMO39]: 1504 wasn't repealed, the rules were tossed out and the SEC has to re-write new rules.

		nontax revenues. They noted that USEITI has achieved an unprecedented level of disclosure and that contextual narrative information helped to make data comprehensible. They viewed the lack of tax disclosure, given U.S. laws, as the chief weakness in U.S. data comprehensiveness and the repeal of Dodd-Frank 1504 as fatal to U.S. hopes of achieving that kind of disclosure, and with it mainstreaming.
Evaluating U.S. Data Quality	Industry	Industry articulated an extensive list of U.S. data quality strengths, including: public accessibility, level of disaggregation, up-to-date nature, and reliability based on controls and audits, contextual explanations of data, and comprehensive release of appropriate data. Industry generally saw less cause for concern with the repeal of Dodd-Frank 1504 and articulated cases for how the U.S. can mainstream given current controls and disclosures. They saw limited influence on U.S. companies due to EU directives related to disclosure.

Commented [KMO40]: 1504 wasn't repealed, the rules were tossed out and the SEC has to re-write new rules.

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Mainstreaming Feasibility Study

March 2017

Deloitte.

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Executive Summary

This section will summarize the history of reconciliation, the UDR and other disclosures, and the controls in place in the US. It will lay out the case for the appropriateness of mainstreaming. It is meant to include an Independent Administrator (IA) conclusion like the below.

Based on the evidence available the USEITI <<Insert Group Name>> recommends / does not recommend pursing mainstreaming by ordering the following steps from the Independent Administrator.

Commented [KR1]: What is UDR an acronym for: Unilateral Disclosure Report or Unilateral Disclosure of Revenues as hinted at on page 7, first bullet, under Comprehensive Data.

Commented [KR2]: Throughout the document, sometimes US is used and other times U.S., need to be consistent.

Mainstreaming Overview

What is the purpose and process for mainstreaming?

The objective of mainstreaming is to recognize implementing countries that make transparency integral to their systems. Requirement six of the EITI Standard states that "where legally and technically feasible, implementing countries should consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis." Mainstreaming is the formal process countries pursue to demonstrate integrated transparency. The process consists of seven phases: formal commitment, feasibility study, work plan, application, approval, implementation, and review.

[Describe what this report includes: formal commitment, feasibility study].

[For discussion, should we include work plan and application?]

What does the feasibility study entail?

The feasibility study consists of four main components including a review of materials, stakeholder consultation, feasibility report, and plan of action. The Mainstreaming Feasibility Study requires information on the track record of reconciliation, an explanation of how the U.S. will increase and embed disclosures, an evaluation of data quality, and options for data reconciliation. This study makes an evaluation of U.S. readiness on each of those components below.

[Describe all steps taken to prepare this report including review of materials, stakeholder consultation, feasibility report and plan of action.]

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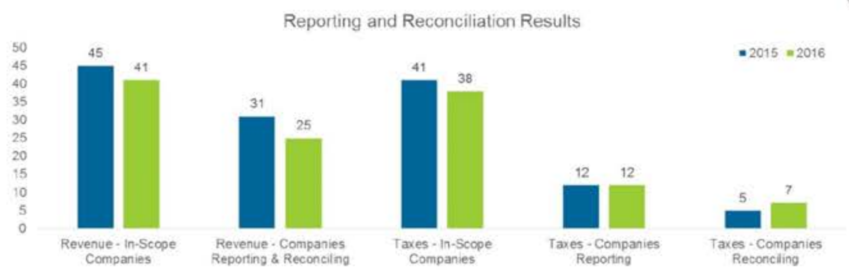
U.S. Track Record of Reconciliation

In order for countries to be considered for mainstreaming, the candidate must have a track record of reconciliation without major errors. The EITI does not define the length of time required, a materiality threshold, or a maximum number of discrepancies. As a result, this section will contain a summary of the US record of reconciliation, thresholds, unexplained variances, etc.

What is the U.S. record of results for reconciliation?

The U.S. conducted its first reconciliation in 2015. The period of reconciliation was Calendar Year (CY) 2013. Across 31 companies and 11 revenue streams, overall variance for all revenues came to $1,406,472,132.22, or 14%. 17 discrepancies exceeded the margins of variance determined by the MSG. The IA—working with in-scope companies and government entities—resolved or explained all discrepancies. Explanations included differences regarding when payments were recorded and how they were classified.

In the following year, the U.S. conducted its second reconciliation, covering CY 2015. Of 25 companies, the overall variance for all revenues came to $1,345,728,664, or 22.9%. 19 discrepancies exceeded the margins of variance determined by the MSG. All 19 were resolved or explained for the same reasons mentioned above.



Result	2015	2016
DOI Revenues Released	100% of 2013 revenues	100% of 2014 and 2015 revenues
Companies Participating	31 of 45 companies	25 of 41 companies
Revenues Reported & Reconciled	$8.5B (81% of in-scope, 67% of all DOI revenues)	$4.83B (79% of in-scope, 62% of all DOI revenues)
Companies Releasing Taxes	12 of 41 reported $190M	12 of 38 reported -$308M
Companies Reconciling Taxes	5 of 41 reconciled $90M	7 of 38 reconciled -$130M
Variances	17	21
Variances Resolved or Explained	100%	100%

Commented [KMO3]: I think right up front we need to exploit our success with the UDR. How we got there and what it has meant to the US in terms of going above and beyond the Standard for reporting revenues.

Commented [KR4]: Maybe mention that the reconciliation attempted to cover companies who together reported over 80% of revenues paid to ONRR which established the reconciliation threshold for both years.

Commented [KR5]: Where did these numbers come from? According to the IA's gov't & company reconciliation summary on the Data Portal, the total variances for the 11 DOI revenue types was $93,976,582 (that no. not there – I did the math).

Commented [KR6]: Where did these numbers come from? According to the IA's gov't & company reconciliation summary on the Data Portal, the total variances for the 11 DOI revenue types was $156,185,520582 (that no. not there – I did the math).

Commented [KMO7]: I would not recommend beginning a sentence with a number. Also is this 19 or 21 variances? The 2016 Report shows 21. Please confirm.

Commented [KR8]: Regarding the Table, I think there should be some narrative above which explains why there is a difference in the number of total revenue vs taxes in-scope reporting companies.

Under the 2016 column, first line it appears that we were reconciling CY2014 & CY 2015 revenues – needs to be made clear it was only CY2015.

The bottom two lines "Variances" and "Variances Resolved or Explained" should be moved up under the "Revenues Reported and Reconciled" as that is what the variances pertained to – not at all related to taxes –or are they?

Commented [KMO9]:
DOI Revenues "Reported"

Company Taxes "Reported"

Here you say in 2016 21 variances, but in the paragraph right before it you say 19 variances. Please confirm.

Did we reconcile 100% of 2014 and 2015 revenues? I thought we just reported 2014 but reconciled 2015 revenues? The 2016 column is confusing.

What are the expected results in 2017?

[This section will describe the planned process for the US in 2017 and beyond based on continued UDR disclosures, contextual narrative, etc.]

Increasing and Embedding Disclosures

How does the government embed and increase disclosures?

The U.S. government publicly discloses much of the data that has been embedded in the USEITI Data Portal, and provides much of the data necessary for embedding disclosures through the Department of the Interior's Office of Natural Resources Revenue (ONRR) Data Portal. This data is updated annually. Some of the key strengths of this system are that:

- The ONRR Data Portal includes **federal production data** for 55 products from 2005 to 2015. This data can be filtered by product type, region (including state, county, and offshore region), and year. It also discloses and publishes **federal revenue by both location and company**. Location data can be filtered by commodity category and/or region and goes from 2004 to 2015. Company data can be filtered by commodity and/or revenue type and covers 2015 revenue.
- The portal includes **economic impact data on the extractive industries**, including Gross Domestic Product, Exports, and Jobs. It can be filtered by region, with results shown as $ values or % values, from 2004 to 2015. Additional filters include by commodity for exports and by job type for jobs.
- Beyond disclosing DOI data, the Data Portal **aggregates and makes accessible relevant data sets from other government organizations**, including the Energy Information Administration, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

In addition to the USEITI Data Portal, ONRR's Statistical Information Site (http://statistics.onrr.gov/) provides datasets on disbursement (at a fund or state level and by fiscal year) and reported revenue data (including sales volumes, sales values, and revenue by commodity).

The portal also includes reconciliation data and corporate income tax data for those companies that have opted to report their tax data. Currently, the U.S. cannot share tax data on any company without the consent of the company. This may present a barrier to approval of mainstreaming. However, the Internal Revenue Service (IRS) discloses aggregate tax liability by Industry based on a stratified sample of individual company tax returns. [Further describe the nature of Treasury disclosures.]

Commented [KMO10]: What do you mean by the ONRR Data Portal? Are you talking about the USEITI Data Portal? Or the ONRR Website? Would be smart to link to any websites you refer to throughout the document and cite them as well.

Commented [KMO11]: 55 products of what? This is not specific.

Commented [KR12]: Both calendar and fiscal years.

Commented [KR13]: Are you referring to the UDR here as that's the only place where company payments are disclosed on a national level.

Commented [KMO14]: Should we make the distinction upfront between the types of revenues because throughout the document we also talk about tax revenues which I don't think applies here?

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Commented [KMO16]: Which portal? You mentioned two different portals above.

Commented [KMO17]: What about State Governments and County Governments?

Commented [KR18]: Should add that this revenue data is disclosed at the state, onshore, offshore, Indian, etc. levels.

In summary, the Government discloses the majority of data required for mainstreaming on the USEITI Data Portal. Disclosures by IRS provide information on taxes at an aggregate industry level but not by company. Opportunities for the government to increase and embed disclosures include the expansion of the revenue streams disclosed, including the coal excise tax, and the commodities in-scope.

Commented [CPC19]: I'm not sure what this means.

How does the extractives industry increase and embed disclosures?

Commented [KMO20]: Will there be anything written about company internal controls and processes? I know they vary but some of the controls are the same, most SEC companies all follow SOX as a reform effort. Perhaps it would be worth interviewing one or two of the MSG companies to document a high level overview of internal controls and processes. It was mentioned at several MSG meetings that the governments internal controls are robust, but so are companies.

Currently, industry reporting of EITI-related data is voluntary. A number of companies voluntarily report data or report data according to European regulations.

- **Oil & Gas**: Five major oil and gas companies report detailed government payments information in the United States outside of USEITI. They are BP, ENI, Shell, Statoil, and Total. None of these reports include tax information.
  - **BP** reports according to British regulations (UK's Report on Payments to Governments Regulations 2014 (as amended in December 2015)) and reports payments to governments at the project level. Their payments are unaudited but independently assured by Ernst and Young.
  - **ENI** voluntarily reports payments to government on a national level. Their report contains additional contextual information. It is unaudited.
  - **Shell** voluntary reported payments to governments prior to the implementation of British regulations and now reports according to those regulations. It reports all payments to governments at the project level. This report is unaudited.
  - **Statoil** reports payments to government according to Norwegian law, at the project and government levels. It also includes contextual information in their annual report. Their report is unaudited.
  - **Total** reports according to French law and reports all payments to governments, including at the city and the county level. Their report is not audited.
- **Coal & Hardrock**: BHP Billiton and Rio Tinto are two major coal and hardrock companies that voluntarily report detailed government payments information in the United States.
  - **BHP Billiton** reports government payments (both tax and non-tax) as well as contextual information and data on broader economic contributions such as? Their non-tax data includes payments to governments and on a project level. Their report is audited by an independent auditor according to Australian Auditing Standards.
  - **Rio Tinto** reports payments to governments (both tax and non-tax) and publishes an annual *Taxes Paid* report. Payments are reported on a government and project level. The report includes economic contribution data and contextual information, including case studies. The report is independently audited.

Commented [KR21]: For ENI, Shell, Statoil, and Total it mentions four different ways that a report is unaudited – should the statements be consistent? No big deal......

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These reports suggest best practices for encouraging further disclosure of payments by private companies.

[THIS SECTION TO BE UPDATED TO INCLUDE ADDITIONAL VOLUNTARY DISCLOSURES MADE BY COMPANIES AS PART OF SEC FILINGS, UNDER EU DIRECTIVE 10 AND AS PART OF USEITI]

Evaluating Data Quality

The requirements for mainstreaming include determining whether data from both government and industry sources is up to date, comprehensive, and reliable outside of the EITI reporting structures. The U.S. performs strongly on data quality and provides up to date, comprehensive, and reliable data as required by the International Standard.

Up to Date Data

EITI requires information be reported on an annual basis. Where the government and industry currently report, data is disclosed on an annual basis in the U.S. In addition, ONRR unilaterally discloses company payments on an annual basis through the USEITI Data Portal.

Commented [KMO22]: I am not sure what you are trying to say here. Please reference the actual requirement and say how the US has either met or gone above and beyond meeting that requirement.

Comprehensive Data

This section will discuss data comprehensiveness including:

- Comprehensiveness of disclosure through the UDR – The government's unilateral disclosure of revenues received covers all in-scope, non-tax payments received by the government, including for companies not in scope of USEITI.
- Comprehensiveness of tax disclosures
- Brief discussion of emerging requirements and potential for mainstreamed implementation – e.g. beneficial ownership, project level

Commented [KMO23]: Why is there placeholder language in this section? The IA knows well the comprehensiveness of data for UDR and revenue/tax reporting. The IA also knows the US has agreed on the BO Roadmap and have not agreed on a project level definition but instead agreed to disclose on the company level pending the PL definition.

Reliable Data

Extractive industries companies and the U.S. government are subject to laws and regulations that guide the process for receiving payments and for companies making payments to the government. The processes for how payments and revenues are recorded and verified in the extractive industries in the United States are detailed in USEITI's *Audit and Assurance Practices and Controls in the U.S. Factsheet* available here: https://useiti.doi.gov/downloads/USEITI_budget-audit-factsheet_2016-08-17.pdf.

Commented [KMO24]: This section is insufficient. It is not enough to reference a fact sheet on the data portal. Please give detailed examples of why data in the US is so reliable.

Companies and government agencies in the United States are bound by standards that govern the ecosystem of payments in the extractive industry. Professional associations and government agencies create and update standards that are used by internal and external

parties. Even before payments are made, standards influence company and agency behavior. When payments are made, there are controls to test and monitor financial reporting accuracy. Audits and reporting standards verify that companies pay what they owe and the government reports what they receive. This includes audits of financial statements.

Commented [KMO25]: Need more in depth explanation.

Reconciliation and Mainstreaming

Once a country is approved for mainstreaming, it is no longer required to undergo the reconciliation process. If EITI data is comprehensive and reliable and financial data is "audited in accordance with international standards, the procedure does not require a comprehensive reconciliation of government revenues and company payments." This section details the processes for reconciliation, assurance, and audit that are already in place at ONRR and other US Government agencies. There are generally four levels of mainstreamed controls:

- Upfront Reconciliation of Transaction Data Between DOI, Treasury and Companies
- Internal Audit and other Assurance Processes within DOI
- External Audit of DOI
- Other Ad-hoc Oversight from the Office of Inspector General, Congress, and other Bodies

Important to note as part of the pre-reconciliation process integral to ONRR's function of receiving and processing company reporting and payments and ONRR conducts 100% upfront reconciliation.

This report covers CY2015 Rents, Royalties, and Bonuses, which together constitute 95% of DOI revenue streams, as Corporate Income Taxes. See table below for detail.

Commented [KR26]: Why "as"?

Revenue Stream	% of DOI Revenues	Up-Front Reconciliatio n	Internal Controls	External Audits	Ad-Hoc Oversight
ONRR Royalties	78.2%	✓	✓	✓	✓
ONRR & BLM Bonuses	14.6%	✓	✓	✓	✓
ONRR & BLM Rents	3.1%	✓	✓	✓	✓
OSMRE AML Fees	2.5%	✓	✓	✓	✓
BLM Permit Fees	1.3%	✓	✓	✓	✓
ONRR Offshore Inspection Fees	0.7%	✓	✓	✓	✓
ONRR Other Revenue	0.4% *(Negative Amount)*	✓	✓	✓	✓
ONRR Civil Penalties	0.1%	✓	✓	✓	✓
OSMRE Civil Penalties	0.03%	✓	✓	✓	✓
Corporate Income	N/A	✓	✓	✓	✓

Commented [KR27]: "Up-Front" is not hyphenated anywhere else. And get the "n" of Reconciliation on the same line.

Taxes					

Note: % totals are higher than 100% due to rounding and the fact that ONRR Other Revenues total for 2015 was negative.

[Insert table showing USEITI Revenue Streams, % of Total Revenue, and coverage in this report. IA recommends we document processes for Rents, Royalties and Bonuses, and Corporate Income Tax as part of first wave. Other Revenue Streams can be added as needed].

Upfront Reconciliation Process

ONRR's mission is to collect, account for, and verify Federal, State, and Indian energy and other natural resource revenues due to States, American Indians, and the U.S. Treasury on behalf of all Americans. Each month, ONRR receives and processes 49,000 royalty and production reports. To ensure that ONRR collects the proper revenues, it performs automated processes coordinating payments and reporting with industry and the U.S. Government, and may perform further controls such as audits to ensure proper payments.

Commented [KR28]: Not part of the Upfront Reconciliation Process.

[AWAITING ADDITIONAL INFORMATION ON PRE-RECONCILIATION PROCESS FROM DOI/ONRR]

Figure 1. Verification of Payments by ONRR

U.S. Treasury, Single Source Cash Flow

The US Treasury and Federal Reserve System (Treasury) serve as the sole provider of financial services for all US federal agencies including ONRR. Treasury maintains a centralized system of accounts for ONRR. The core tenet of this centralized system of accounts is that no single federal agency controls the receipt and payment of public funds. All federal agencies that handle government financial transactions must properly perform their function to support internal government control and the system of central accounts. Treasury performs variance analysis and various other reconciliations on transactions and balances contained within its systems. Treasury contacts ONRR with any questions they may have and can request ONRR justify or make changes. Interior's External Auditor also samples deposit and disbursement data from all Treasury systems and traces that data back to originating lease documents with ONRR's systems or other agency accounting advices. To accomplish these ends, there are several primary systems maintained by Treasury that ONRR utilizes for cash flows. The primary systems ONRR uses to manage cash flows are the Collections Information Repository (CIR) for revenue collections, Intra-governmental Payments and Collections System (IPAC), Secure Payment System (SPS) for disbursements and the Central Accounting Reporting System (CARS) for Treasury fund reconciliation.

Commented [KR29]: All these acronyms are created again below, and CARS twice, only need to do once.

ONRR receives the majority of its oil and gas collections through the Collections Information Repository (CIR). CIR serves as a transaction broker, data warehouse, and reporting solution that provides a single touch-point to exchange all financial transaction information for settled transactions across all collections systems. This enables the US Government to normalize financial transaction reporting and standardize the availability of financial information across all settlement mechanisms and collections systems. CIR greatly improves the way ONRR collects, analyzes, and redistributes financial transaction information, which in turn eliminates redundancies and disconnects across and between the numerous point-to-point connections. The system is self-contained with various related external system interfaces. CIR provides ONRR with collection related to payments from the public sent via Fedwire, Pay.gov, ACH, and check. All payment method transaction information submitted to ONRR is summarized daily into vouchers by CIR. CIR does not allow ONRR to create or alter deposit information.

Commented [KR30]: And geothermal and solid minerals, etc.

Commented [KR31]: Collections?

Whereas ONRR uses CIR for collections from the public, Intra-governmental Payments and Collections System (IPAC) is used for oil and gas revenues collected by other federal agencies and transferred to ONRR via IPAC. ONRR also uses IPAC to disburse revenue to other federal agencies in accordance with applicable statutes. The IPAC system's primary purpose is to provide a standardized interagency fund transfer mechanism for Federal Program Agencies (FPAs). IPAC facilitates the intragovernmental transfer of funds, with descriptive data from one FPA to another. The IPAC System enables FPAs to exchange accounting and other pertinent information to assist in the reconciliation of funds transferred between FPAs for various interagency transaction types (buy/sell, fiduciary, and other miscellaneous payment and collection transactions). A Sender and Receiver TAS/BETC are validated in the Shared Accounting Module (SAM) and transmitted to the Central Accounting Reporting System (CARS) Account Statements at the time of IPAC origination. IPAC standardizes interagency payment, collection, and adjustment procedures through an internet-based application.

Commented [KR32]: What does this stand for?

Conversely, the Secure Payment System (SPS) is an application that allows government agencies to create payment schedules in a secure fashion; with strictly enforced separation of duties. Access to SPS is rigidly controlled by both Treasury and ONRR. SPS is ONRR's only avenue to disburse revenue from Treasury to state or local governments and to refund overpayments back to oil and gas companies.

Commented [KR33]: Refunds for any company reporting on any mineral, not just oil and gas.

Lastly, ONRR uses the Central Accounting Reporting System (CARS) to report and reconcile all collections and disbursements activity. CARS is a one-stop access point to:

- provide and retrieve data and information from Treasury
- capture and record Treasury Account Symbol (TAS) information for payments
- deposits, and intra-governmental transactions
- provides an account statement of the fund balance with Treasury
- allows access to transaction detail to support research and reconciliation,
- improves the usability and currency of government-wide financial information
- minimizes data redundancy and enhances data sharing between Treasury's central accounting system, financial service provider systems, and agency core financial systems

Commented [KR34]: The first two bullets (and maybe the third) flows OK with the lead-in "CARS is a one-stop access point to:" while the others don't because of the "s" in the leading word.

ONRR users reconcile the CARS fund balance with Treasury to ONRR's accounting system and via reclassification of collection and disbursement transactions to the proper fund within Treasury. This reconciliation process is performed in the first three business days of each month. Any statements of difference between Treasury and ONRR are not permitted. All discrepancies and out of balances found must be corrected during the current accounting period, or a restatement is required for closed periods. CARS does not allow ONRR to create or delete transactions from the system.

Commented [KR35]: and via doesn't seem to fit with the entire sentence structure. Actually the whole sentence is kinda clumsy.

DOI's Internal Controls & Processes

Standards, controls, and audits play an integral role in data validation in the U.S. Some standards relate to controls, while others subject data to additional management—primarily via independent audits. Controls are the first step to ensure data validation, and are particularly important for Companies as most data is not publically available even once validated and reported to the Government. These controls help Companies report correct data on the first attempt, as Companies are subject to penalties if found incorrectly calculating or reporting payments. Audits are designed to ensure that the appropriate controls are in place at both Companies and Government agencies. They are also intended to validate that the proper payments occur. Internal and external auditors work in concert with Companies and the IRS to make sure that payment data is correct.

Internal Controls

[AWAITING INFORMATION FROM DOI/ONRR]

Audit & Compliance Management Function

[AWAITING INFORMATION FROM DOI/ONRR]

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Third Party Audit Procedures

[LANGUAGE AND INFO COMING FROM RIWG AND OIG AT DOI ONCE CONTRACT DISPUTE IS RESOLVED]

Commented [KMO36]: I am not sure we will get this information timely. The IA should probably count on not receiving this info in time for this particular deliverable.

Ad-hoc Oversight

[AWAITING INFORMATION FROM DOI/ONRR]

[Include information on Congressional and OIG processes for oversight in the U.S.]

Recommendation on Mainstreaming

Based on available evidence, the <<Insert Group Name>> recommends/does not recommend that USEITI pursues mainstreaming by ordering a formal feasibility study from the independent administrator. There are X key reasons for this recommendation.

1. *Insert rationale for recommendation here.*
2. *Insert rationale for recommendation here.*
3. *Insert rationale for recommendation her*

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Appendix – Stakeholder Interview Notes

Interviewees

The IA interviewed 9 MSG members and alternates from each of the three sectors.

Sector	Name	Organization
Civil Society	Danielle Brian	Project on Government Oversight
Civil Society	Keith Romig, Jr.	United Steelworkers
Industry	Veronika Kohler	National Mining Association
Industry	Phil Denning	Shell Oil Company
Industry	Aaron Padilla	American Petroleum Institute
Government	Greg Gould	Department of the Interior
Government	Curtis Carlson	Department of the Treasury
Government	Mike Matthews	State of Wyoming – Department of Audit
Government	Jim Steward	Department of the Interior

Responses

The interviews covered the individuals' goals for USEITI, the U.S. track record of reconciliation, and evaluating the data quality of USEITI as they related to mainstreaming. Key takeaways on those subjects are included below. They are organized by sector.

Topic	Sector	Takeaway
Goals for USEITI	CSO	CSO representatives spoke of a range of goals for USEITI, including: consolidating already available public data in an easily accessible place, creating a meaningful contextual narrative, revealing new information that had not previously been publicly available, and representing specific constituents.

Commented [KMO37]: These notes should be shared with the interviewees to confirm the IA has captured each sectors position accurately. I have already sent them to the GOV sect for confirmation.

Commented [KMO38]: This looks unbalanced. I think the IA should articulate the process. For example the IA invited X number of MSG members/alternates from each sector to interview, of which the following 9 members and alternates agreed to participate. (reword how you see fit)

		CSO split on the fit of reconciliation into their goals. A view was expressed that reconciliation was inherently comparing company data to company data (i.e., government data was just company data provided to the government by the company). Another viewed reporting and reconciliation as a positive with the exception of tax reporting and reconciliation. Neither saw mainstreaming specifically fitting into their goals for USEITI.
Goals for USEITI	Government	Government expressed a range of goals, including: educating the public, participating and leading on an international stage, creating something useful for public and the government, improving government operations, achieving a workable solution within U.S. laws, and achieving validation. Government did not see reconciliation as a part of their goals, a value add for the U.S. public, a valuable use of taxpayer money, an achievable reality for taxes, or valuable to USEITI as a whole. Mainstreaming was seen as the only feasible way for the U.S. to achieve validation, easier, and likely to increase participation. They see audits and controls in the U.S. as already achieving the purpose of reconciliation as laid out in USEITI.
Goals for USEITI	Industry	Industry stated goals for USEITI of increasing transparency and data accessibility to the public, increasing public understanding and confidence, articulating the current state of U.S. management as a model internationally, and building trust with the other sectors. Industry did not see reconciliation as fitting materially into those goals. Responses noted it as a check-the-box exercise and a waste of time. Mainstreaming is seen as essential by industry, and merited based on the current systems in place.

		Mainstreaming would save taxpayer money, reduce the burden on companies, and free up time to undertake activities more useful for the American public.
Track Record of Reconciliation	CSO	CSO saw the track record of reconciliation as strong with regards to non-tax revenue but as weak and lacking reporting and reconciliation of taxes.
Track Record of Reconciliation	Government	Government saw the track record of revenues as very strong given the U.S. system of audits, controls, checks, and balances. They viewed tax reporting and reconciliation as the biggest weakness given the legal prohibitions against disclosure and the lack of company involvement. Government viewed the decline in the number of companies as an effect of broader market forces (the decline in commodity prices and company bankruptcies) not specifically reflective of USEITI.
Track Record of Reconciliation	Industry	Industry saw the track record of reconciliation in the United States as strong given audits, controls, and systems in place in the United States. Reconciliation helped to prove in another way that the numbers match and that the U.S. has already mainstreamed. Industry didn't view the decline in the number as important; they saw reconciliation as having it achieved its purpose of showing the dollars match. They also saw it as not decreasing the amount of information available given data disclosures.
Evaluating U.S. Data Quality	CSO	CSO saw the strength of U.S. data in government disclosure and the promise of government project-level disclosure, even if it's upon request. CSO also noted that U.S. data was up-to-date and reliable. CSO viewed the lack of tax reporting and reconciliation and the repeal of Dodd-Frank 1504 as the fatal weakness of U.S. data quality.
Evaluating U.S. Data Quality	Government	Government saw the strength of U.S. data in it being up-to-date, reliable due to the stringent system of audits and controls in the United States, and comprehensive for

Commented [KR39]: project-level and up-to-date are not hyphenated in prior instances throughout the document.

Commented [KMO40]: 1504 wasn't repealed, the rules were tossed out and the SEC has to re-write new rules.

		nontax revenues. They noted that USEITI has achieved an unprecedented level of disclosure and that contextual narrative information helped to make data comprehensible. They viewed the lack of tax disclosure, given U.S. laws, as the chief weakness in U.S. data comprehensiveness and the repeal of Dodd-Frank 1504 as fatal to U.S. hopes of achieving that kind of disclosure, and with it mainstreaming.
Evaluating U.S. Data Quality	Industry	Industry articulated an extensive list of U.S. data quality strengths, including: public accessibility, level of disaggregation, up-to-date nature, and reliability based on controls and audits, contextual explanations of data, and comprehensive release of appropriate data. Industry generally saw less cause for concern with the repeal of Dodd-Frank 1504 and articulated cases for how the U.S. can mainstream given current controls and disclosures. They saw limited influence on U.S. companies due to EU directives related to disclosure.

Commented [KMO41]: 1504 wasn't repealed, the rules were tossed out and the SEC has to re-write new rules.

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Mainstreaming Feasibility Study

March 2017

Deloitte.

The United States Extractive Industries Transparency Initiative

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Executive Summary

This section will summarize the history of reconciliation, the UDR and other disclosures, and the controls in place in the US. It will lay out the case for the appropriateness of mainstreaming. It is meant to include an Independent Administrator (IA) conclusion like the below.

Commented [KR1]: What is UDR an acronym for: Unilateral Disclosure Report or Unilateral Disclosure of Revenues as hinted at on page 7, first bullet, under Comprehensive Data.

Commented [KR2]: Throughout the document, sometimes US is used and other times U.S., need to be consistent.

Based on the evidence available the USEITI <<Insert Group Name>> recommends / does not recommend pursing mainstreaming by ordering the following steps from the Independent Administrator.

Mainstreaming Overview

What is the purpose and process for mainstreaming?

The objective of mainstreaming is to recognize implementing countries that make transparency integral to their systems. Requirement six of the EITI Standard states that "where legally and technically feasible, implementing countries should consider automated online disclosure of extractive revenues and payments by governments and companies on a continuous basis." Mainstreaming is the formal process countries pursue to demonstrate integrated transparency. The process consists of seven phases: formal commitment, feasibility study, work plan, application, approval, implementation, and review.

[Describe what this report includes: formal commitment, feasibility study].

[For discussion, should we include work plan and application?]

What does the feasibility study entail?

The feasibility study consists of four main components including a review of materials, stakeholder consultation, feasibility report, and plan of action. The Mainstreaming Feasibility Study requires information on the track record of reconciliation, an explanation of how the U.S. will increase and embed disclosures, an evaluation of data quality, and options for data reconciliation. This study makes an evaluation of U.S. readiness on each of those components below.

[Describe all steps taken to prepare this report including review of materials, stakeholder consultation, feasibility report and plan of action.]

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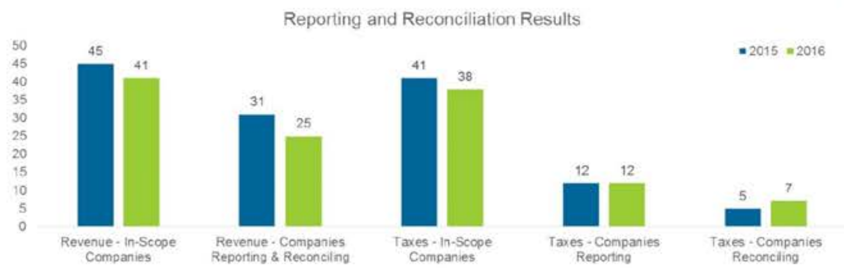
U.S. Track Record of Reconciliation

In order for countries to be considered for mainstreaming, the candidate must have a track record of reconciliation without major errors. The EITI does not define the length of time required, a materiality threshold, or a maximum number of discrepancies. As a result, this section will contain a summary of the US record of reconciliation, thresholds, unexplained variances, etc.

What is the U.S. record of results for reconciliation?

The U.S. conducted its first reconciliation in 2015. The period of reconciliation was Calendar Year (CY) 2013. Across 31 companies and 11 revenue streams, overall variance for all revenues came to $1,406,472,132.22, or 14%. Seventeen discrepancies exceeded the margins of variance determined by the MSG. The IA—working with in-scope companies and government entities—resolved or explained all discrepancies. Explanations included differences regarding when payments were recorded and how they were classified.

In the following year, the U.S. conducted its second reconciliation, covering CY 2015. Of 25 companies, the overall variance for all revenues came to $1,345,728,664, or 22.9%. 19 discrepancies exceeded the margins of variance determined by the MSG. All 19 were resolved or explained for the same reasons mentioned above.



Result	2015	2016
DOI Revenues Released	100% of 2013 revenues	100% of 2014 and 2015 revenues
Companies Participating	31 of 45 companies	25 of 41 companies
Revenues Reported & Reconciled	$8.5B (81% of in-scope, 67% of all DOI revenues)	$4.83B (79% of in-scope, 62% of all DOI revenues)
Companies Releasing Taxes	12 of 41 reported $190M	12 of 38 reported -$308M
Companies Reconciling Taxes	5 of 41 reconciled $90M	7 of 38 reconciled -$130M
Variances	17	21
Variances Resolved or Explained	100%	100%

Commented [KMO3]: I think right up front we need to exploit our success with the UDR. How we got there and what it has meant to the US in terms of going above and beyond the Standard for reporting revenues.

Commented [KR4]: Maybe mention that the reconciliation attempted to cover companies who together reported over 80% of revenues paid to ONRR which established the reconciliation threshold for both years.

Commented [KR5]: Where did these numbers come from? According to the IA's gov't & company reconciliation summary on the Data Portal, the total variances for the 11 DOI revenue types was $93,976,582 (that no. not there – I did the math).

Commented [KR6]: Where did these numbers come from? According to the IA's gov't & company reconciliation summary on the Data Portal, the total variances for the 11 DOI revenue types was $156,185,520582 (that no. not there – I did the math).

Commented [KMO7]: I would not recommend beginning a sentence with a number. Also is this 19 or 21 variances? The 2016 Report shows 21. Please confirm.

Commented [MJL8]: The graphic below also shows 21.

Commented [KR9]: Regarding the Table, I think there should be some narrative above which explains why there is a difference in the number of total revenue vs taxes in-scope reporting companies.

Under the 2016 column, first line it appears that we were reconciling CY2014 & CY 2015 revenues – needs to be made clear it was only CY2015.

The bottom two lines "Variances" and "Variances Resolved or Explained" should be moved up under the "Revenues Reported and Reconciled" as that is what the variances pertained to – not at all related to taxes –or are they?

Commented [KMO10]:
DOI Revenues "Reported"

Company Taxes "Reported"

Here you say in 2016 21 variances, but in the paragraph right before it you say 19 variances. Please confirm.

Did we reconcile 100% of 2014 and 2015 revenues? I thought we just reported 2014 but reconciled 2015 revenues? The 2016 column is confusing.

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What are the expected results in 2017?

[This section will describe the planned process for the US in 2017 and beyond based on continued UDR disclosures, contextual narrative, etc.]

Increasing and Embedding Disclosures

How does the government embed and increase disclosures?

The U.S. government publicly discloses much of the data that has been embedded in the USEITI Data Portal, and provides much of the data necessary for embedding disclosures through the Department of the Interior's Office of Natural Resources Revenue (ONRR) Data Portal. This data is updated annually. Some of the key strengths of this system are that:

- The ONRR Data Portal includes **federal production data** for 55 products from 2005 to 2015. This data can be filtered by product type, region (including state, county, and offshore region), and year. It also discloses and publishes **federal revenue by both location and company**. Location data can be filtered by commodity category and/or region and goes from 2004 to 2015. Company data can be filtered by commodity and/or revenue type and covers 2015 revenue.
- The portal includes **economic impact data on the extractive industries**, including Gross Domestic Product, Exports, and Jobs. It can be filtered by region, with results shown as $ values or % values, from 2004 to 2015. Additional filters include by commodity for exports and by job type for jobs.
- Beyond disclosing DOI data, the Data Portal **aggregates and makes accessible relevant data sets from other government organizations**, including the Energy Information Administration, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

In addition to the USEITI Data Portal, ONRR's Statistical Information Site (http://statistics.onrr.gov/) provides datasets on disbursement (at a fund or state level and by fiscal year) and reported revenue data (including sales volumes, sales values, and revenue by commodity).

The portal also includes reconciliation data and corporate income tax data for those companies that have opted to report their tax data. Currently, the U.S. cannot share tax data on any company without the consent of the company. This may present a barrier to approval of mainstreaming. However, the Internal Revenue Service (IRS) discloses aggregate tax liability by industry based on a stratified sample of individual company tax returns. [Further describe the nature of Treasury disclosures.]

Commented [KMO11]: What do you mean by the ONRR Data Portal? Are you talking about the USEITI Data Portal? Or the ONRR Website? Would be smart to link to any websites you refer to throughout the document and cite them as well.

Commented [KMO12]: 55 products of what? This is not specific.

Commented [MJL13]: Currently USEITI Data Portal currently has production data from 2006 to 2015.

Commented [KR14]: Both calendar and fiscal years.

Commented [KR15]: Are you referring to the UDR here as that's the only place where company payments are disclosed on a national level.

Commented [MJL16]: This is also 2006 through 2015 on the USEITI Data Portal, but you can access back to FY 2003 on statistics.onrr.gov. I agree with Kim that we need to be clear about what data portal/website we're talking about.

Commented [KMO17]: Should we make the distinction upfront between the types of revenues because throughout the document we also talk about tax revenues which I don't think applies here?

Commented [KR18]: If you are referring to the UDR file, then it should be CYs 2013-2015 and maybe even through CY2016 as I provided that UDR file to the USEITI Secretariat on March 9 for inclusion to the Data Portal. Should also mention somewhere that only companies paying over $100K per year to DOI were individually disclosed – all the others were rolled together.

Commented [KMO19]: Which portal? You mentioned two different portals above.

Commented [MJL20]: 2006 to 2015?

Commented [KMO21]: What about State Governments and County Governments?

Commented [MJL22]: Mixing references between ONRR Data Portal (above) and USEITI Data Portal, so this causes confusion. Maybe define it as USEITI Data Portal (Portal) early on and then you can just use Portal througout the rest of the document except when refering to the statistics.onrr.gov website, which is clear in this sentence.

Commented [KR23]: Should add that this revenue data is disclosed at the state, onshore, offshore, Indian, etc. levels.