

Annual Agreement Review Report

State of North Dakota
Office of the State Auditor
Royalty Audit Section

Cooperative Agreement Number
D22AC00131

For the Period
October 1, 2024, through September 30, 2025
Federal Fiscal Year 2025

Performed By:

Office of Natural Resources Revenue
Outreach, Coordination & Verification
STRAC Audit Assistance
Christopher Craig, Auditor

Report Date:

June 03, 2026

INTRODUCTION

The Office of Natural Resources Revenue (ONRR or we), Outreach, Coordination & Verification (OCV) conducted an Annual Agreement Review (Review) of the Section 205 Cooperative Agreement D22AC00131 (Agreement) and any Modifications for the State of North Dakota, Office of the State Auditor Royalty Audit Section (North Dakota/State/You/Your), for the review period Federal Fiscal Year (FY) 2025. ONRR's authority to perform a Review originates from Section 7.7 of the Agreement and Federal regulations at 30 CFR § 1227.800. This review did not include a site visit to the State's offices.

OBJECTIVES, SCOPE, & METHODOLOGY

The objectives of this Review were to review the following:

1. **Agreement Costs** – We reviewed a sampling of expenditures to determine that the costs incurred are allowable and directly related to the performance objectives of the Agreement.
2. **Agreement Performance** – We reviewed your performance of the Work Plan under the Agreement.
3. **Equipment** – We reviewed your equipment inventory, compared to your inventory list, for all equipment purchased under the Agreement.
4. **Safeguarding of Records** – We reviewed your storage of federal records related to the Agreement to ensure that they are safeguarded, and that you are archiving records in a timely manner.
5. **Compliance Reviews (CRs)** – We reviewed a sample CR to ensure that the State is in compliance with the ONRR CR Manual.

We focused on work performed under the terms of the Agreement between ONRR and the State associated with Federal Fiscal Year (FY) 2025. We based the methodology on the objectives and review steps outlined in our Planning Memorandum.

We took the following actions in the performance of this Review:

- Provided the State with a Data Request dated February 18, 2026, informing the State of this Review.
- Performed a fiscal examination of Agreement costs.
- Documented associated conclusions and findings on workpapers.
- Debriefed the Financial Assistance Officer (FAO), the Financial Assistance Officer's Representative (FAOR) on May 19, 2026.
- Provided a Draft Report to the State on May 19, 2026, for comments.
- We will provide a final report to the FAO and FAOR, and the State, after the State has had an opportunity to comment on the Draft Report.

RESULTS

Based on our Review, we determined that the State is in full compliance with the terms of the Agreement for costs claimed and performance required within the terms of the Agreement.

AGREEMENT COSTS

We reviewed your Agreement Costs for FY 2025 and selected the 4th quarter (July, August, and September 2025) (sample period) for testing. We requested and reviewed supporting documentation for sampled costs reimbursed from the selected vouchers.

See the detailed results of the sampled costs tested below.

Direct Labor Costs

We examined summary schedules, time reports, and leave records for all program employees for the sample period. Based on our Review, we determined that all direct labor costs claimed on the sampled voucher were allowable (necessary, reasonable, and allocable), non-duplicative, and agreed with the State's approved budget.

Fringe Benefit Costs

We examined summary schedules originating from the State's accounting system for all program employees for the sample period. Based on our Review, we determined that all fringe benefit costs claimed on the sampled voucher were allowable, non-duplicative, and agreed with the State's approved budget.

Travel Costs

We examined two (2) Travel Authorizations and supporting documentation for travel costs for the sample period. Based on our Review, we determined that all travel costs claimed on the sampled voucher were allowable, non-duplicative, and agreed with the State's approved budget.

Other Direct Costs

We examined documentation supporting other direct costs for the sample. Based on our Review, we determined that these other direct costs claimed on the sampled voucher were allowable, non-duplicative, and agreed with the State's approved budget.

Indirect Cost

We examined the State's approved Indirect Cost Rate (ICR) and the State's methodology for calculating indirect costs for the review period October 1, 2024, through September 30, 2025. We determined that the State's indirect costs claimed on the sampled voucher were allowable, non-duplicative, and agreed with the State's approved budget.

AGREEMENT PERFORMANCE/WORKPLAN PROGRESS

We reviewed your Agreement performance, equipment inventory, and safeguarding of federal records for FY 2025, the months of October 1, 2024, through September 30, 2025, for testing. We requested and reviewed supporting documentation by sampling items from your documentation.

See the detailed results below.

Performance of the FY 2025 Work Plan

The State is in compliance with the performance of its Workplan associated with FY 2025. The State's progress reports are substantially accurate, and all work is fully budgeted and tracked accordingly. For the scope of this Review, the State showed notable progress and achievement associated with its compliance related activities consistent with the statutory objectives and intent of FOGRMA, as amended.

The State's FY 2025 Workplan estimated that 7,000 hours would be dedicated to audit and compliance investigations. However, the actual number of audit hours expended during FY 2025 totaled 6,814.50 hours, or 97.35% of budgeted audit hours. This difference does not represent a significant deviation between budgeted audit hours and actual audit hours expended.

The State's FY 2025 Workplan included 24 carryover projects and 32 new starts. The State submitted one Workplan modification form during FY 2025 to remove one case in favor of a compliance review at a later date.

Table 1: FY 2025 Work Performance Analysis

| | Audits | CRs |
|---------------------------------|--------|-----|
| Total Open Cases in OMT: | 1 | 247 |
| Total Cases Closed FY 2025: | 1 | 197 |
| Carryovers to next fiscal year: | 0 | 50 |

Equipment Inventory

The State is found in compliance with equipment inventory by properly tracking equipment by keeping their inventory list up to date with tag, serial number, user and status of equipment use.

Safeguarding of Federal Records

The State is found in compliance with safeguarding of federal records. All current projects are managed electronically.

Compliance Reviews

We examined the State's Compliance Review (CR) file and associated workpapers for OMT 10132956. Based on our Review, we determined that the State is in general compliance with ONRR's Compliance Review Manual, Release 2.2.

RECOMMENDATIONS

We are proposing the following recommendations:

1. **Progress Reports** – It is recommended that the State update their reports to reflect dates properly so that case closure tallies can be accurately tracked.

State's Response

The State responded to the draft report on June 2, 2026, with the following response:

“North Dakota supports the Annual Agreement Review and has since adjusted its Progress Reports to track for all completed work. We also appreciate ONRR's efforts to prioritize these reviews, as they are essential for ensuring accountability to U.S. citizens. Without them, the public would have little insight into whether delegated funds are being used properly and in line with contract requirements and federal regulations.”

DISTRIBUTION

Due to the sensitive information, the use of this report is restricted to specified parties who either participated in this Review or have a direct interest in the results. It is intended solely for the use of ONRR and the State, including the FAO and the FAOR, as they have an interest in the objectives of the Review.

ACKNOWLEDGEMENT

ONRR values the contributions from the State in achieving our common goals and objectives, and we look forward to our continued collaboration. Additionally, we want to thank you for the assistance and cooperation that your delegation provided in completing this Review.

If further information is needed regarding this report, please contact Christopher Craig, at (405) 879-6086.

Bruce Rumburg, Financial Assistance Officer's Representative

Date