

Annual Agreement Review Report

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

Cooperative Agreement Number
D16AC00015

For the Period
October 1, 2021, through September 30, 2022
Federal Fiscal Year 2022

Performed By:

Office of Natural Resources Revenue
Outreach, Audit Services, and Indian State Support
STRAC Audit Assistance
Thomas Mack, Auditor

Report Date:

October 16, 2023

INTRODUCTION

The Office of Natural Resources Revenue (ONRR or we), Outreach, Audit Services, and Indian State Support (OASISS) conducted an Annual Agreement Review (Review) of the Section 205 Cooperative Agreement D16AC00015 (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) 2022. 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 included a site visit to the State's office.

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. **IT Security** – We reviewed if the annual IT Security requirement is appropriately met.
6. **Compliance Reviews (CRs)** – We reviewed a sample CR work to ensure that the State is compliant with the ONRR CR Manual, Release 2.2.

We focused on work performed under the terms of the Agreement between ONRR and the State associated with FY 2022. 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 May 19, 2023, informing them of this Review.
- Conducted a site visit to the State's Office from June 20th, 2023, through June 23, 2023.
- Performed a fiscal examination of Agreement costs.
- Documented associated conclusions and findings on workpapers.
- Debriefed the AO and AOR on August 2, 2023.
- Provided a Draft Report to the State, for comments, on October 12, 2023.
- Received the State's comments to the content of the Draft Report on October 16, 2023.

- Provided this Final Report to the Agreement Officer (AO), the Agreement Officer Representative (AOR), and the State.

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 2022 and selected the second quarter voucher (sample period) for testing. We requested and reviewed supporting documentation for sampled costs reimbursed from the selected voucher.

See the detailed results of the sampled costs tested below.

Direct Labor Costs

We examined summary schedules, time reports, and leave records for all 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 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.

Other Direct Costs

We examined documentation supporting Other Direct Costs including (but not limited to) Rent, Supplies, Training, Phones, and Desktop Support, for the sample period. 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 methodology for calculating indirect costs for the review period October 1, 2021, through September 30, 2022. Based on our Review, we determined that the 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 2022, the months of October 1, 2021 through September 30, 2022 for testing. We requested and reviewed supporting documentation by sampling items from your documentation.

See the detailed results below.

Performance of the FY 2022 Work Plans

The State is compliant with the performance of its Workplan associated with FY 2022. 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 2022 Work plan estimated that 7,100 hours would be dedicated to audit and compliance investigations. The actual number of audit hours expended during FY 2022 totaled 6,274, or approximately eighty-eight percent (88%) of budgeted audit hours.

The State's FY 2022 Work plan included various carryover projects and four new audits.

Table 1: FY 2022 Work Performance Analysis

	Audits	CRs
Total Open Cases in CIM/OMT:	1	8
Total New Starts	4	62
Total Cases Closed, FY 2022:	3	70
Carryovers to next fiscal year:	2	0

Equipment Inventory

The State is compliant with the terms of the Agreement related to equipment inventory. They properly track equipment by keeping their inventory list up to date with tag, serial number, user, location, and status of equipment use.

Safeguarding of Federal Records

The State is compliant with the terms of the Agreement related to the safeguarding of federal records. All current projects are managed electronically and all eligible records for completed projects have been archived. A limited amount of paper records is maintained in locked filing cabinets.

Compliance Reviews

We examined the State's Compliance Review (CR) file and associated workpapers for OMT Case number 10120474. Based on our Review, we determined that the State is compliant with ONRR's Compliance Review Manual, Release 2.2.

We determined that the CR file is appropriately organized according to the ONRR's Index Template and included the required quality control checklist, summaries, evidence of supervisory review, correspondence documentation, and the use of the correct ONRR compliance templates. Additionally, we found that the State's conclusions were sufficiently supported by its workpapers and analysis.

RECOMMENDATIONS

We have no recommendations related to the Annual Cooperative Agreement Review for Fiscal Year 2022.

STATE'S RESPONSE

North Dakota agrees with the Annual Agreement Review. ND also wants to thank ONRR for prioritizing these reviews. They are an important part of the accountability to the US citizens. Without contract reviews the citizens have no way of knowing if the funds provided to a delegation are being spent in accordance with the contract terms 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 AO and the AOR, 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 Thomas Mack, at (303) 231- 3195.

Bruce Rumburg, Agreements Officer's Representative

Date

ONPR