

# 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, 2023, through September 30, 2024  
Federal Fiscal Year 2024

Performed By:

Office of Natural Resources Revenue  
Outreach, Coordination & Verification  
STRAC Audit Assistance  
Christina Klimczak, Auditor

Report Date:

May 5, 2025

## 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 Audit Royalty Audit Section (North Dakota/State/You/Your), for the review period Federal/ Fiscal Year (FFY) 2024. 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) 2024. 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 January 7, 2025, informing the State of this Review.
- Performed a fiscal examination of Agreement costs.
- Documented associated conclusions and findings on workpapers.
- Debriefed the Agreement Officer (AO), the Agreement Officer Representative (AOR) on April 15, 2025.
- Provided a Draft Report to the State for comments on April 28, 2025.
- We will provide a final report to the AO and AOR, 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 2024 and selected the 4<sup>th</sup> quarter (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 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 of the 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 one Travel Authorization 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 registration fees for training 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. 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 2024, the months of October 1, 2023, through September 30, 2024 for testing. We requested and reviewed supporting documentation by sampling items from your documentation.

See the detailed results below.

### Performance of the FY 2024 Work Plans

The State is in compliance with the performance of its Workplan associated with FY 2024. 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 2024 Work plan estimated that 6,400 hours would be worked for the program. However, the actual number of hours expended during FY 2024 totaled 10,084.50 with 6,697.50 hours spent working on audits and compliance reviews, or 66.41% of total hours. However, all hours were not accurately and completely tracked on each progress report.

The State's FY 2024 Work plan included 3 carryover audits, 26 carryover compliance reviews, and 33 new start compliance reviews. In total, the State carried 62 projects for FY 2024.

**Table 1: SFY 2022 Work Performance Analysis**

	Audits	CRs
Total Open Cases in OMT:	3	59
Total Cases Closed FY 2024:	2	59
Carryovers to next fiscal year:	1	0

### 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. A limited amount of paper records are maintained in locked filing cabinets at employees' desks.

## **Compliance Reviews**

We examined the State's Compliance Review (CR) file and associated workpapers for OMT Case 10134200. 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. **Labor Hours** – We encourage the State to ensure all categories of expended labor hours are accurately accounted for on each progress report throughout the year.

## **State's Response**

You provided the following response to the recommendation listed above:

“North Dakota supports the Annual Agreement Review and will modify its Progress Reports by tracking hours for all completed work, not just audits. Additionally, North Dakota expresses gratitude to ONRR for prioritizing these reviews, which play a crucial role in ensuring accountability to U.S. citizens. Without them, citizens lack transparency regarding whether the funds allocated to a delegation are being utilized in accordance with 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 Christina Klimeczak, at (303) 231-3725.

---

Bruce Rumburg, Agreements Officer's Representative

---

Date

FINAL