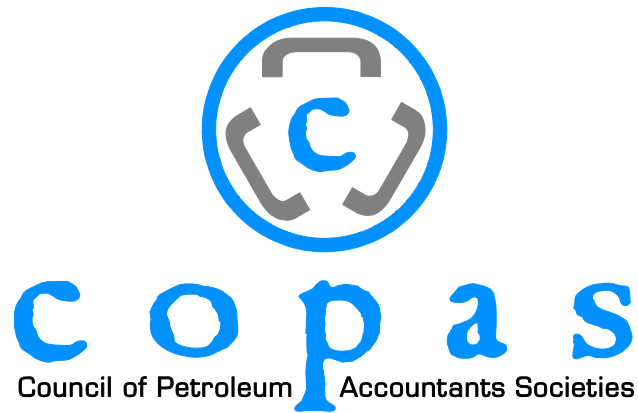
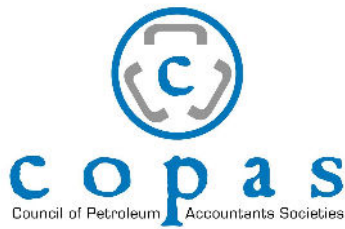




130th Council Meeting
Thursday, April 29, 2026
Noon
Skirvin Hotel
Oklahoma City, Oklahoma



February 24, 2026

COPAS Board of Directors
Standing and Special Committee Chairpersons
Society Presidents
Council Representatives

Re: Notice of Spring 2026 Council Meeting

Dear COPAS Member:

The Spring 2026 Council of Petroleum Accountants Societies, Inc. (COPAS) meeting will be April 28-30, at the Skirvin Hotel, Oklahoma City, Oklahoma.

The 130th meeting of the Council will take place during lunch on Thursday, April 30. The voting items on the agenda meet the 60-day notice requirement. There may be other items presented for vote that have not met the 60-day notice requirement that will be managed according to the COPAS Bylaws.

The Council voting items are listed below with parenthetical indication of the vote required to approve that voting item.

1. Fall 2025 Council Meeting Minutes (majority)
2. November 19, 2025 Special Council Meeting Minutes (majority)
3. 2027 Membership Assessment, effective August 1, 2026 (majority)
4. Approval of Bylaw change to section II.C.1(b)(1) clarifying the COPAS activities that qualify for maintaining Participating Society compliance (2/3)
5. Approval of Bylaw change to section III.D. increasing the number of board members permitted per society from two to three. (2/3)
6. Approval of Bylaw change to section III.E. clarifying the date for the election of Directors. (2/3)
7. AG-9, *Vendor Audits* (majority)
8. Approval of Publication Reopening for Updates Technical Corrections or Modernization (PRUTCOM) edits for publications listed in the agenda. (2/3)

The Board of Directors will meet on Monday, April 27 from Noon to 5 p.m. and Tuesday, April 28 from 8:00 a.m. to noon. The Board of Directors meetings are open to all COPAS members, and you are encouraged to attend.

February 24, 2026
Spring 2026 Council Meeting Notice
Page 2

Stephanie Schwindt will lead the COPAS Leadership Conference on Wednesday, April 29, beginning at 8:00 a.m. A Leadership reception for invited guests will be held on Tuesday, April 28, beginning at 6:00 p.m. A First Timers Mixer will be from 7:30 to 8:30 p.m. Wednesday, April 29.

The Council agenda and handouts are included in this notice. They are also available on the COPAS website. Committee agendas will be posted on the website when they are finalized. All times listed are Central time zone.

Please call Vanessa Galindo, COPAS Office Manager, if you have any questions or need assistance in registering for the meeting.

I look forward to seeing you in April.

Sincerely,

Kevin Launchbaugh

Kevin Launchbaugh, President



Meeting

Agenda



130th Meeting
Council of Petroleum Accountants Societies, Inc. (COPAS)
Skirvin Hotel
Oklahoma City, Oklahoma

Council Meeting Agenda
Noon Thursday, April 30, 2026

Call to Order	Kevin Launchbaugh
Reading of COPAS Antitrust Policy	Evan Green
Roll Call	Wendy Chandler
Awards and Recognition	Kevin Launchbaugh
Executive Director Report	Tom Wierman
COPAS 2026 Goals and Objectives	Kevin Lanuchbaugh
Minutes of Council Meetings	Wendy Chandler
Vote – Approval of Fall 2025 Minutes (majority)	
Vote – Approval of November 19, 2025 Special Meeting Minutes (majority)	
Financial	Lisa Collins
Vote – 2027 Membership Assessment Rates effective August 1, 2026 (majority)	
Bylaws Committee	Stephanie Schwindt
Vote – Approval of Bylaw change to section II.C.1(b)(1) clarifying the COPAS activities that qualify for maintaining Participating Society compliance (2/3)	
Vote – Approval of Bylaw change to section III.D. increasing the number of board members permitted per society from two to three. (2/3)	
Vote – Approval of Bylaw change to section III.E. clarifying the date for the election of Directors. (2/3)	
Audit Standing Committee	Cecil Sprague
Vote – AG-9, <i>Vendor Audit</i> (majority)	
Joint Interest Standing Committee	Vanessa Green
Vote – Approval PRUTCOM Changes	
MFI-1, MFI-2, MFI-3, MFI-4, MFI-5, MFI-30, MFI-39, MFI-51, MFI-53, MFI-55, MFI-56, MFI-58 (2/3)	

PO Box 21272 • Wichita, Kansas 67208-7272 • 303-300-1131 • www.copas.org



Other Business

Adjournment



Voting Items



129th Meeting
COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES, INC. (COPAS)

October 24, 2025

Marriott Country Club Plaza
Kansas City, Missouri

The 129th meeting of the Council of Petroleum Accountants Societies, Inc. (COPAS) was held on Friday, October 24th, at the Marriott Country Club Plaza in Kansas City, Missouri.

Call to Order

President Kim Peyton called the Council meeting to order at 8:02 a.m. CST.

COPAS Antitrust Statement

Lisa Collins read the COPAS Antitrust Statement.

Roll Call

Secretary Tom Batsche called the roll of Council Members. Eighteen (18) of nineteen (19) Participating Societies were present during roll call. The following societies did not have a representative present for the Council meeting: Arkansas, Austin, Corpus Christi, New Mexico, Virtual and Wichita Falls. A quorum was present. One (1) society was unable to vote due to it being an International Society (Canada).

Spring 2025 Meeting Minutes

The minutes of the 128th Council meeting held at the Embassy Suites Northwest Arkansas were distributed in the 60-day notice and were presented for approval.

Kim entertained a motion for approval of the minutes as presented. Tulsa moved and Houston seconded the motion. Kim asked if there was any discussion; hearing none she requested a vote by acclamation. The motion carried.

Financial Reports

Stephanie Schwindt, Treasurer, gave the following financial report:

Review of the five-year revenue trend indicated that membership has declined slightly from 2023 to 2025 (as of August 31st) after remaining steady from 2021 through 2023. It is

anticipated that membership will continue to grow through the end of the year as some societies renew in December, and member outreach will help to boost those numbers.

As with previous years, the largest portion of our revenues was attributable to publications and member assessments. Member assessment revenue was comparable to 2023. The member assessment rate was \$115 for 2025 and will increase to \$120 in 2026.

Review of the five-year expense trend indicates that most expenses have stayed flat. The increase in marketing costs is related to website and marketing updates and rate increases. Depreciation has decreased as assets became fully depreciated. Comparison of 2025 budget to actual costs indicates that costs year-to-date are tracking as expected.

Review of profit/loss actual to budget numbers for the last five years indicates that large projects had an impact on the ability to budget accurately. A large variance between the 2022 budget to actual was due to the receipt of the ERC funds. For 2023, the variance was associated with hosting the Spring 2023 meeting, as well as unexpectedly high income from the APA review course. 2024 had a small net loss compared to budget, and 2025's variance between net profit and the budget is attributed to expenses that have not yet materialized but are expected to during the remainder of the year. It is anticipated that by year-end the numbers will be much closer to budget.

COPAS 2025 Goals and Objectives

Kim discussed her 2025 Goals and Objectives.

- The Virtual Society is up and running as a participating society. The society will soon be electing new directors. In spring, California changed their name to the Virtual Society. Michigan and New Orleans have subsequently collapsed their societies into the Virtual Society. It is anticipated that the leadership from the combined societies will contribute to the society leadership going forward.
- Increase the number of APA®'s by twenty. There are seven new APA®s in 2025. Forty-eight people are currently enrolled in the review course.
- Finalize the new CEPS platform. This was rolled out earlier this year.
- Implement the Sharepoint storage option. This has been initiated for the Board, PRUTCOM, DRT, Project Teams, Committees, and several societies. Any society not currently using this option but would like to, please contact COPAS office.
- Approve 25 PRUTCOM documents. Eighteen were approved at the spring Council meeting, four were approved in the summer Audit/Joint Interesting meeting, and ten more in the fall. These are voting agenda items at this meeting. If approved, a total of 32 PRUTCOM publications will have been approved.

COPAS Board of Directors Report

Carole Tear, Vice President, provided an update of the Board of Directors.

The COPAS Board has met multiple times since the last Council meeting in April 2025. During those meetings, the Board took the following actions:

- Approved minutes for all the Board Meetings, including:

- April 22 & April 24, 2025 Board Meeting
- May 21, 2025 Board Meeting
- Approved June 18, 2025 Board Meeting
- Approved July 15, 2025 Board Meeting
- Approved August 20, 2025 Board Meeting
- Approved September 3, 2025 Board Meeting
- Approved September 17, 2025 Board Meeting
- Approved Directors and Officers Liability Insurance
- Approved revised COPAS Publication Procedures
- Process initiated to transition ePub to new platform (BetterDocs). This is the same platform used by the APA® Review.
- Annual NASBA filing completed by Vanessa prior to June 30 deadline. NASBA has reviewed and approved COPAS as CPE sponsor for the 2025-2026 term. Cost was \$4,175.
- Approved Fall 2025 registration fee of \$425.
- Approved 60-day Notice for Fall meeting.
- Approved motion to present waiver of 60-day notice to approve proposed Bylaws revisions.
- Approved 2024 Financial Report
- Approved up to 10% increase in COPAS Energy Education class pricing.

Bylaws Committee Report

Kim noted that the Bylaws Committee has proposed several Bylaws revisions. The proposed revisions are primarily associated with the removal of the President-Elect position that was added in 2023.

A motion to waive 60 Day notice was made by Houston and seconded by Colorado. The motion was approved unanimously by acclamation.

A motion to approve Bylaws revisions as presented was made by Dallas and seconded by Permian Basin. The motion was approved unanimously by acclamation.

Membership and Society Activity Report

Carole noted that COPAS has a current membership of 1,018. Some societies are still in their membership drive, so it is expected the membership numbers will increase. She did note the struggles for a number of Societies. She then put forth a request for motions to dissolve the Austin, Corpus Christi, Michigan, New Mexico, and New Orleans Societies.

Dallas made the motion for the Dissolution of the Austin Society. New Orleans seconded. The motion was approved 13-0-0.

Mississippi made the motion for the Dissolution of the Corpus Christi Society. Tulsa seconded. The motion was approved 13-0-0.

Houston made the motion for the Dissolution of the Michigan Society. Dallas seconded, the motion was approved 13-0-0.

Colorado made the motion for the Dissolution of the New Mexico Society. Permian Basin seconded. The motion was approved 13-0-0.

Houston made the motion for the Dissolution of the New Orleans Society. Oklahoma seconded. The motion was approved 13-0-0.

A significant number of individuals have already transferred to the Virtual Society. It is now the third largest society.

Leadership Conference

Kim Peyton provided an update on the Leadership Conference.

The Leadership Conference meeting was held on Wednesday, October 22. The meeting was called to order at 8:00 AM. The COPAS Antitrust Statement was read, and then attendees introduced themselves. There were seventy attendees at the meeting so thank you to all those who attended and participated in the discussion. Just a reminder that the Leadership Conference is open to all meeting attendees. Please feel free to sign up for that meeting in the fall especially if you are serving in a leadership position or are interested in serving in a leadership position in COPAS or your local society.

Tom Wierman of the COPAS Office was the first speaker. Tom covered multiple topics including information on the operation of the COPAS National Office, COPAS Energy Education updates, the Document Review Team (DRT), a PRUTCOM update, the APA® program, the COPAS SharePoint ftp site, an update on the COPAS Virtual Society, and the most recent membership renewal. Attendees provided feedback and discussed the items in more detail.

Kevin Launchbaugh facilitated a group discussion on the COPAS national meeting formats including national meeting frequency; the length of the national meeting; virtual versus in-person meetings; committee meeting days, times, and lengths; full meetings vs. document working sessions; and the blend of CPE offerings and COPAS document discussions during the meetings. Attendees provided input regarding the discussion items.

Wade Hopper provided a presentation regarding proper meeting notices, proper meeting agendas, and proper meeting minutes. Wade discussed best practices for these items and provided examples of each. Attendees discussed these matters and Wade provided feedback for several questions.

COPAS Mentoring Advisory Committee Report

Stephanie Schwindt provided an update. The COPAS Fall 2025 registration included thirty First Timers and sixteen individuals who volunteered to be COPAS Mentors.

A First Timer Virtual Welcome Event was conducted on Wednesday, October 15th. Twenty-five First Timers and fourteen COPAS Mentors participated in the call. The event consisted of five breakout sessions grouped by each registrant's focus area (Audit, JI, Financial Reporting, Small Oil & Gas, Revenue). This event provides an opportunity for participants to put a face to a name and has proven to ease the arrival at the meeting.

A First Timers Social Mixer was conducted Wednesday night of this conference. Attendance was great, with twenty-two First timers and sixteen COPAS Mentors and two additional COPAS members present. Participants split into teams and played COPAS Jeopardy. This was a fun and interactive way to learn while connecting with each other.

Research and Advisory Committee

Kim Peyton noted that the Committee consists of Past Presidents. The Board calls on them from time to time for expertise and an outside perspective. This Committee picks the Ring of Honor. They have also reviewed the Bylaws and Minutes requirements. The next topic will be our retention policy.

Executive Director's Report

Tom Wierman provided the Executive Director's Report. Tom started with providing recognition to all the sponsors of the Fall meeting.

Publications

- Tom reminded everyone that COPAS membership brings benefits, including significant discounts to products and services, such as the publications and ePub.
- Tom mentioned that if anyone is interested in participating in the publication process, they can communicate with the COPAS office. The goal is to match skillsets with project team needs.

Society Support

- Several societies have requested a SharePoint account. This is available.
- SurveyMonkey is another tool available for societies or committees.
- Zoom has replaced AdobeConnect. Pricing was a large driver.

CEPS

- The updated version of CEPS rolled out on May 14. This has gone well.
- Approximately 80 CEPS Surveys for 2026 HPMs were mailed. Four surveys were returned undeliverable. Tom emailed the survey to those companies. One completed survey has been received to date.

Membership Renewals

- Membership renewals were submitted on August 1. The process has gone smoothly.
- All societies have received reports of outstanding renewals.
- Society payments for August and September will go out this week.
- Overall membership is 1,018. The Virtual Society is now the third largest society.
- Tom reminded everyone of the 75-mile rule to join the Virtual Society.

Editorial Committee Report

Tom Wierman presented the Editorial Committee Report:

- The Fall ACCOUNTS magazine was mailed on August 27. The next deadline will be November 1.
- Committee and Society news reports were again sparse. Society News will likely be omitted from the Winter issue to retain the page count of the magazine while adding photos and coverage of the Fall meeting.

- There was a discussion in the Leadership Conference about implementing a digital subscription. The Board will review this further.

Audit Standing Committee Report

Cecil Sprague, Chair, summarized the activities of the Audit Committee.

The Audit Committee met Thursday, October 23, 2025 with twelve society representatives present. Robyn Tarnowski provided an update from the Emerging Issues Subcommittee. Scott Barrios provided the COPAS Board of Directors report.

- The minutes from the Spring Audit Committee Meeting were approved.
- The retirement of CAPECUP was approved.
- Voting on revisions to the Audit Committee Charter was deferred to the Winter meeting.
- Approved the following PRUTCOM Documents:
 - MFI-17, *1984 Model Form Accounting Procedure Interpretation*
 - MFI-19, *COPAS 1986 Offshore Model Form Accounting Procedure Interpretation*
 - MFI-26, *Joint Interest Billing Summary Classifications*
 - MFI-38, *Materials Manual*
 - MFI-40, *24-Month Adjustment Period for Joint Account Adjustments*
 - MFI-49, *Employee and Contractor Awards*
 - MFI-52, *Catastrophe-Related Costs*
 - MFI-54, *Well Containment Service Providers*
 - MFI-57, *Remote Technology Centers*
 - MFI-57 AD1, *Remote Technology Centers Addendum 1*

Approximately half of the attendees preferred an in-person winter meeting with the remaining attendees preferring the virtual approach. Actual meeting approach will be determined after discussion with Joint Interest Committee leadership.

The committee had some discussion regarding potential “next documents” for re-write recommendations (MFI-18, MFI-38, MFI-40, MFI-56).

A combined session with the Joint Interest Committee was subsequently held.

- Ruth Strange shared an update on AG-9 Vendor Audits re-write draft 1. Comments for first draft are due December 31, 2025.
- Rikki Schoonover shared an update on MFI-35 Employee and Contractor Training Costs re-write draft 1. Comments for draft 1 are due January 12, 2026.
- Emma Thomley, a State and Regional Policy Specialist, from Great Plains Institute gave a presentation on Carbon Capture Storage. Her presentation explained how carbon capture and management (carbon removal, capture,

utilization, transport, and storage) affect the Oil and Gas operations. She also provided policy information and resources to communities, and organizations taking climate action.

Acknowledgement of Lucas Vaughn as retiring Emerging Issues Chair.

Joint Interest Committee Report

Vanessa Green, Chair, presented a report on the Joint Interest Committee activities.

As a follow-up to our last general council meeting and as noted in the 60-day mailer, the Joint Interest Committee recommends that a motion be made for Council to approve the PRUTCOM changes to the following documents as approved in April 2025 by the Joint Interest Committee and Audit committee as an affected committee.

- MFI-21, *Overhead Principles*
- MFI-44, *Field Computer and Communication Systems*
- MFI-45, *Offshore Marine and Aircraft Allocations*
- MFI-46, *Shore base Facilities and Offshore Staging Areas*

Mississippi made the motion to bundle the documents together and approve as a group. Houston seconded the motion, and the motion passed by acclamation.

Houston then moved to approve the four referenced documents with the PRUTCOM edits. Fort Worth seconded the motion, and the motion was approved unanimously by acclamation.

Since the last General Council meeting, the Joint Interest Standing Committee met Thursday, October 23rd, independently from the Audit Committee, from 8:00 a.m. to 8:30 a.m. There were forty attendees from nine societies.

The meeting began with the Board of Directors Report and the reports from the CEPS Control Panel. Then the Joint Interest Committee voted to approve the following items:

- Approval of Jeannene Dilley as Joint Interest Committee Secretary
- Approval of Spring 2025 Joint Interest Committee Meeting Minutes
- Approval of the Retirement of CAPECUP Publication Guidance from Section 8 of Leadership Handbook

Dallas made the motion to approve the retirement of CAPECUP from Section 8 of the Leadership Handbook. Colorado seconded the motion, and the motion was approved unanimously by acclamation.

- Approved Joint Interest Charter revisions with minor revisions
- Approved the Employee Benefit Limitation Percentage of 34%
- Approved the removal of six states from the Workers' Compensation Manual Rates

- Idaho
- Indiana
- New York
- South Dakota
- Tennessee
- Virginia
- For companies that might need these states, proposed language as follows would be published with the rates:
 - Model Form Interpretation #31 states that COPAS will publish, on an annual basis, Workers' Compensation Insurance Manual Rates for certain job classifications. These rates are calculated by a third party on behalf of COPAS and are provided solely as a convenience to the industry. COPAS believes the rates have been compiled in accordance with MFI-31; however, COPAS and its agents make no guarantees regarding their accuracy or how they are applied by individual companies in their billing practices. If a company or individual requires rates for a state not listed or published below, they may request them, typically for a fee, directly from the COPAS vendor preparing the report or obtain them from another reputable provider.
- Approval of the following 10 PRUTCOM Documents:
 - MFI-17, *1984 Model Form Accounting Procedure Interpretation*
 - MFI-19, *COPAS 1986 Offshore Model Form Accounting Procedure Interpretation*
 - MFI-26, *Joint Interest Billing Summary Classifications*
 - MFI-38, *Materials Manual*
 - MFI-40, *24-Month Adjustment Period for Joint Account Adjustments*
 - MFI-49, *Employee and Contractor Awards*
 - MFI-52, *Catastrophe-Related Costs*
 - MFI-54, *Well Containment Service Providers*
 - MFI-57, *Remote Technology Centers*
 - MFI-57 AD1, *Remote Technology Centers Addendum 1*

Tulsa made the motion to waive the 60-day notice requirement to allow a vote on the ten PRUTCOM documents. Oklahoma City seconded the motion, and it was approved by acclamation.

Colorado made the motion to bundle the ten PRUTCOM documents together for a vote. Tulsa seconded the motion, and the motion was approved by acclamation.

Houston made the motion to approve the ten referenced documents with the PRUTCOM edits. Oklahoma City seconded the motion, and it was approved unanimously by acclamation.

The Joint Interest Standing Committee met in a joint session with Audit Standing Committee from 8:35 am to 11:30 am. There were seventy-eight attendees from twelve societies. The joint session began with introductions before the drafting teams presented on the progress of their teams and respective documents AG-9 and MFI-35 re-writes. This was followed by a presentation from Emma Thomley of Great Plains Institute over Carbon Capture and Storage.

Acknowledgements were made to the Joint Interest and Audit Committee Leadership for their help preparing for this meeting and minute taking. The Joint Interest Committee would like to encourage everyone to attend future meetings to participate in these discussions. The Joint Interest Committee would also like to thank COPAS Office for hosting the Fall 2025 COPAS meeting.

Education Committee Reports

Jeff Wright, Co-Chair of the Education Committee, provided an update for the Education Standing Committees.

The COPAS Education Committee hosted a four-hour education event on Tuesday morning, 10/21/25 at the Fall 2025 meeting in Kansas City, Missouri. There were four separate speakers/presentations as follows:

Jeff Wright presented *Making Cents of Overhead*. The session covered the different overhead options available in COPAS Accounting Procedures and their correct application. There were forty attendees for this session and one hour of CPE was awarded.

Nikki Naylor presented *Mind the Dormancy: Oil & Gas Unclaimed Property – Strategy Basics & Updates*. This session covered unclaimed property compliance including unclaimed property core concepts, priority rules, dormancy, due diligence, reporting and also included process improvements, strategies to reduce risk, and provided legislation updates. There were thirty-five attendees for this session and one hour of CPE was awarded.

Chirs Copeland presented *AI in Revenue Accounting*. This session covered relevant tech and AI tools available, how AI can be applied to solve issues, and how AI and other analytics tools can be used to enhance process improvements. There were thirty-six attendees for this session and one hour of CPE was awarded.

Shaler Tate presented *Leading at the Speed of Energy*. This session covered how to lead without a formal title and a variety of progressive leadership tactics. It also covered knowing your worth when you are in demand. There were thirty-three attendees for this session and one hour of CPE was awarded.

The Committee will continue to investigate how to include the education event at future COPAS meetings. Consideration will also be given to the possibility of opening the event for those wishing to join only the education event.

Small Oil & Gas Companies Standing Committee Report

Dan Triezenberg, the incoming Chair of the Small Oil & Gas Committee, presented his report to Council. There were twenty-five in attendance. Howard Hong was presented with his award for leading the committee for several years.

The committee met during the afternoon of Thursday, October 23 with twenty-five members in attendance. The anti-trust statement was read, and Kirk Foreman presented the board report. Dan Triezenberg and Nina Morgan were approved as the new Committee Chair and Vice Chair, effective January 1.

Devin Tenney and Mitch Caddell from Forvis Mazars gave a great presentation titled “Navigating One Big Beautiful Bill Act Tax Reform for the Energy Industry. They walked through the significant provisions of the bill and the considerations for energy companies and individuals.

The second speaker was Zach Gardner from Keyhole Software who gave a presentation on “A Useable Introduction to GenAI in 2025”. The presentation focused on ChatGPT and addressed how to use it effectively and expectations on outputs from the software.

The final speaker was Enoch Laudie from the Kansas City office of the FBI who presented “Cybersecurity Best Practices”. He gave candid advice on how best to prevent cyberattacks and what to do if you are ever impacted by such an attack. Three hours of CPE were awarded.

Financial Reporting Committee

Kim acknowledged that due to low interest, the activities of the Committee are being suspended. Colorado was the only local society with an active Financial Reporting Committee. They are also inactive now. Ken Nollisch was recognized for his leadership as Chair of this committee.

Revenue Standing Committee Report

Robert Toudouze, Chair of the Revenue Committee, presented his report to Council.

The COPAS Revenue Standing Committee held our meetings this week on Wednesday and Thursday, October 22nd and 23rd. CPE presentations were offered with topics including detailed legislative and litigation updates, economic global and small business outlooks, overviews of Indian and Federal Leasing, Indian royalty reporting, and Sales and Use tax, and the importance of stripper wells. Over the two-day period, there were eight (8) presentations offering eight (8) hours of CPE. The sessions averaged thirty individuals in attendance, peaking at thirty-eight, from twelve (12) different societies, a nice increase over the attendance in the spring.

Wednesday, after lunch, we kicked off the meeting with a presentation from our lunch keynote speaker, Warren Martin. He spoke about the importance of stripper wells to the State and local economies, the impact to our overall National production and the effect they make on the balance of power in the world. Following Mr. Martin, Rebecca Paris gave us a board update, and we had introductions. Unfortunately, Chris Carey with ONRR could not make it due to the government shutdown. In his place, Jeremy Norton presented updates to new, pending, passed, and failed legislative efforts for both Federal and State royalties. Nate Wolf followed up with a similar presentation for State Severance taxes. These two presentations keep us up to date on current changes to regulations as well as foresight into future legislative sessions. We concluded Wednesday with a presentation from Steve Holle of KC Bier, discussing the challenges and economics of the craft beer industry. He gave us a history of both the industry and his company. The presentation was well received though many in attendance were hoping for samples.

Thursday was a full day with five hours of CPE. We started the meeting with a presentation of Federal and Indian Leasing from Jennifer Kreig. Karr Ingham followed with an economist's perspective of the Oil and Gas outlook under the current administration. He mapped industry trends over the past 30+ years. We concluded the morning session with Mike Hayes presenting an overview of sales and use tax from all Oil producing States.

After lunch, Jennifer Horchem gave us a litigation update of all important cases in the Oil and Gas space. This included the arguments from both sides as well as the court's decisions and reasonings. Jeremy gave our last CPE presentation of the conference with an overview of the complexities of Indian Gas valuation. He spoke about the things to consider when making elections and how that locks you into the economics of that decision for two years. Following that presentation, we had some open discussions including future COPAS meetings. Overall, we had a great conference with excellent discussions and speakers.

APA® Program Report

Tanya Paul reported that the Board of Examiners met Tuesday, October 21. Meeting highlights include:

- The board set strategic goals for the coming year, focusing on exam quality, international applicant requirements, and addressing industry challenges.
- Exam development and review processes were discussed, including job task analysis, subject matter expert input, and psychometric evaluation. The board will review current exam questions and explore the feasibility of a new exam cycle.
- For international applicants, the board proposed requiring credential evaluation services at the applicant's expense and allowing specific COPAS boot camp courses as an alternative to one year of work experience.
- The board has agreed to hold bi-monthly meetings on Thursday afternoons starting in January and will set up a SharePoint site for document sharing and collaboration.

CEPS Control Panel Report

Dalin Error provided the CEPS report.

The rollout of the new CEPS program has been highly successful overall. Some small issues have been resolved, and others are being addressed as time and opportunity permit. User feedback has been encouraging. Additionally, Dalin and Tom have met with various potential users to discuss both the history and the purpose of CEPS, and to show its application. We hope that some of these meetings will yield dividends in the form of willing, subject-matter experts for materials.

Cumulative change YTD for tubular pricing is at +15%; with the last update, a +10% adjustment, in March. Cumulative change since this last rate adjustment remains at 5%. For the remainder of 2025 to date, the trend has been a slow increase, and we anticipate another upwards adjustment prior to year end. Subsequent rate change will occur if/when the cumulative YTD changes by + or - 6%.

Surveys went out to our CEPS users in late summer, with a modified transmittal letter addressing the new CEPS application and requesting new materials that should be added to CEPS. The COPAS office is compiling the reports. We anticipate that the panel will meet to review the surveys and make the necessary adjustments for 2026 in late November or early December. If your company is a CEPS subscriber, please encourage your materials representatives to complete and return the surveys soon.

Primary purpose of CEPS is to provide a current and reasonable price for materials. It is not the only source. Encouraged responses to the surveys to improve the information included in the database. If the responses to the surveys are limited, then the data in CEPS may not be accurate.

Ring of Honor

Kim Peyton presented the Ring of Honor to two honorees:

- Wade Hopper has a long tenure within both COPAS and PASH, serving in various leadership roles from Revenue Chair, Board of Directors, and COPAS President in 2019. Wade has been and continues to be a wonderful resource and advisor to the Board regarding Bylaws revisions.
-
- Ilene Gryger was an early leader in the Small Oil and Gas Committee and in 2003 served as both the COPAS and PASH president. Ilene has been a long-time contributor to fundraising efforts for PASH and COPAS meetings.

Eagle Award

Kim Peyton presented the Eagle award to two honorees:

- Vanessa Galindo is a valued part of COPAS. Working out of the COPAS office, she steps up every time the Board of Directors implements a new benefit, supports all of the society presidents, and hosts the various meetings. She is the voice you will hear when calling the COPAS office.
- Oscar Hartman is one of the founding members of PASM and a resource to many in the South. In recent years, Oscar has supported COPAS with his three-year work with the Document Review Team

Nominating Committee

Kim introduced the four nominees for the three open positions for the 2026 Board of Directors.

Wendy Chandler, Dallas Society
Evan Green, Permian Basin Society
Kevin Launchbaugh, Tulsa Society
Jason Poteet, Colorado Society

Kim entertained a motion to close the slate for the vote on the four nominees to the Board of Directors as presented. Houston moved, and the motion was seconded. Kim asked if there was any discussion. Hearing none, she requested a vote by acclamation. The motion carried.

Nominees for Nominating Committee for 2026 include:

Tammie Miller-Davison Virtual
Colleen Glover Anchorage
Rikki Schoonover Oklahoma City
Colorado Moved to accept these individuals as the Nominating Committee for 2026, Houston seconded. Motion passed unanimously.

The 2025 Nominating Committee reported that the winners of the open Board of Directors positions for the 2026-2028 period are Kevin Launchbaugh, Wendy Chandler, and Jason Poteet.

Recognition of Retiring Board of Directors

Scott Barrios and Tom Batsche were recognized for their contributions to the Board of Directors. The two have had a significant impact on the success of COPAS as an organization.

Recognized as COPAS President

Kim was recognized for her contribution serving the organization as president.

Future COPAS Meetings

Tom Wierman reported the Spring 2026 COPAS Meeting will take place at the Skirvin Hotel in Oklahoma City April 28 to April 30. The room rate is \$195 per night. The meeting will be held Tuesday through Thursday. We will have General meeting to open, and no Council meeting on Friday. Will conclude meeting 5:00 on Thursday. No in person meeting in the fall.

Fall 2026 Council Meetings – this will not be an in-person.

Spring 2027 – Houston Jennifer Holt-McKellar provided a summary of the Spring 2027 meeting location. PASH will be celebrating 75th PASH.

Hyatt Regency Baytown April 19-23, 2027
\$149 plus tax per night

The COPAS office anticipates future meetings will be in locations where societies are located – not destination locations.

Other Business

None

Adjournment

Kim entertained a motion to adjourn. Dallas moved and Permian seconded. The meeting was adjourned at 9:45 a.m. (CST).

Respectfully Submitted,

Tom Batsche

COPAS Secretary

For Council Approval 4/30/26



Turning Energy Into Synergy

COUNCIL OF PETROLEUM ACCOUNTANTS SOCIETIES, INC. (COPAS)

GENERAL COUNCIL

November 19, 2025

Via Email

Societies Present and Voting:

Anchorage – Colleen Glover
Ark-La-Tex – Connor Thompson
Fort Worth – Jessica Morales
Kansas – Meghann Finlay
Oklahoma Tulsa – Bryan Cox
Wichita Falls – Kathy Kabell

Arkansas – Kelly Jordan
Colorado – Stephanie Schwindt
Houston – Jennifer Holt-McKeller
Mississippi – Kevin Jackson
San Antonio – Jessica Wagner

Societies not Present and Voting:

Dallas, Oklahoma City, Permian Basin, Rocky Mountain, and Virtual

Executive Director, Tom Wierman, sent an email to all society presidents on behalf of COPAS President, Kim Peyton, on November 5, 2025, at 6:00 AM (CT):

Council Voting Representatives,

Carole Tear (Oklahoma City) was elected by the Council to serve a three-year term from January 1, 2024, through December 31, 2026. Carole recently submitted her resignation to the Board of Directors creating a vacancy. I propose calling a special electronic meeting, pursuant to the Bylaws, to elect a new Board member to complete the remaining one year of Carole's term. Here is the Bylaws section that covers this situation:

In the event of an emergency or urgent Council voting matter only, a special electronic or telephonic meeting or an electronic virtual meeting shall be called by the President, by a majority of members of the Board of Directors, or by a majority of Council representatives. The notice of the meeting shall be given by the President, or by the Vice President if the President fails to issue such notice, at least ten (10) days prior to the date of the meeting giving the time and purpose of the meeting in reasonable detail with agenda items identified on which a vote is anticipated. Such meeting must be approved by at least two-thirds (2/3) of the Societies eligible to vote as of the date of the proposed meeting, via electronic means within five (5) business days following notice of such meeting.

Business conducted at this meeting shall be limited to those items identified in the meeting agenda. Technology used must be commonly available to the voting representatives and allow open, immediate debate and discussion among the representatives in attendance.

I appointed and the board ratified my appointment of **Evan Green (Permian Basin)** to fill Carole's unexpired term. I will convene a Special Council Meeting via email on Wednesday, November 19, for the Council to formally consider Evan for that open position. No other Council business will be conducted. The meeting will be called to order at 8:00 A.M. (CST), at which time the floor will be open for debate and discussion via email to all Council voting representatives until Noon (CST). Absent any objections, I will then call for a vote to elect Evan to the Board. Voting will occur via email from 12:00 P.M. to 1:00 P.M. (CST) and will be tabulated by the Board Secretary. Results will be distributed to the Council upon completion.

Please reply to this email with your vote of "aye," "nay," or "abstain" regarding the proposed special electronic meeting, no later than the close of business on Wednesday, November 12. Include your name and society with your vote. If a 2/3 majority is achieved, the Special Council Meeting will proceed on November 19. If you are not the voting representative from your society, please forward this email to the appropriate person.

Attached is Evan's biography in preparation for a potential vote. If you have any questions, feel free to reach out to me or Tom Wierman to discuss.

Vote:

Fifteen of the sixteen participating COPAS societies responded by the deadline of 5:00 p.m. Central November 12, 2025. A quorum was present. The vote was 15-0-0 in favor of holding a special electronic meeting to approve Evan Green to fill the unexpired term. Motion passed. It is noted that the remaining society responded in the affirmative after the voting window had closed.

Kim Peyton called the special meeting to order on November 19, 2025, at 8:00 AM (CT). The purpose of the meeting is the approval of the appointment of Evan Green, Permian Basin, to fill the one-year term of Carole Tear. Colorado made the motion for the approval of Evan Green to fill the one-year term of Carole Tear. Houston seconded the motion. No questions or discussion was noted. At 12:07 PM (CT), Kim opened the meeting to approve the motion. She stated the vote would remain open until 1:00 PM (CT).

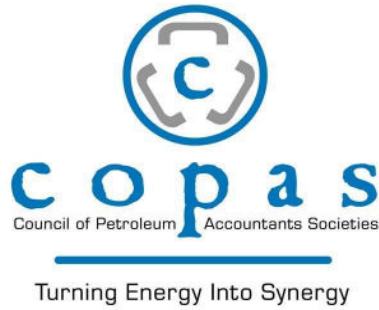
Vote:

Eleven of the sixteen participating COPAS societies responded by the deadline of 1:00 PM (CT) on November 19, 2025. A quorum was present. The vote was 11-0-0 in favor of approving the appointment of Evan Green, Permian Basin, to fill the one-year term of Carole Tear. Motion passed. It is noted that after the voting window had closed, two additional societies responded in the affirmative.

Respectfully Submitted,

Tom Batsche
COPAS Secretary

For Council Approval 4/30/26



January 22, 2026

To: Tom Wierman, COPAS Executive Director

Subject: 2027 Recommended COPAS Member Assessments

The COPAS Board of Directors met in Houston on Wednesday, January 21, 2026, to establish the 2027 COPAS member assessment rates to be effective as of August 1, 2026.

In order to project a more balanced budget, the Board decided to vary from the prior year's adopted membership assessment calculation. A decline in membership, coupled with rising costs, many of them fixed in nature, led to the recommendation of a \$10 increase which was approved by acclamation. The Board recommends the 2027 member assessments for Participating Societies to be \$130 per member.

The 2027 member assessment rate will be a voting item at the Spring Council meeting. Please include this letter in the 60-day notice.

Respectfully,

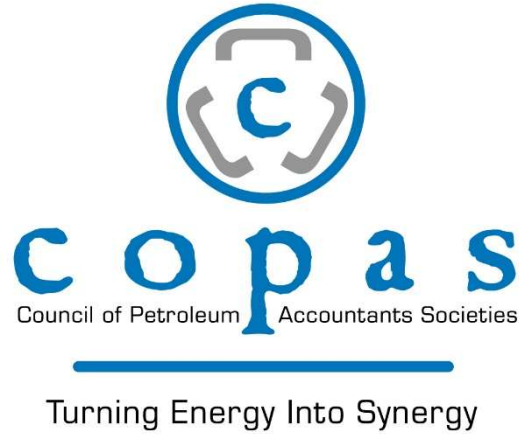
Lisa A. Collins

Lisa A. Collins
COPAS Treasurer

C. Suspension of Society and Academic Individual Memberships

1. A Society may be suspended from participation in COPAS activities by two-thirds approval of the Participating Societies present and eligible to vote at a Council meeting. Grounds for suspension may include the following:
 - a) failure to pay its assessment of COPAS' operating costs within a time period specified by the Board of Directors
 - b) failure to be represented and participate in COPAS activities
 - 1) Participating Societies: attend at least one in-person Council meeting and one ~~in-person~~ Other COPAS ~~a~~Activity in-person each calendar year. (Other COPAS ~~a~~Activities include, but are not limited to, the Leadership Conference, Board of Directors Meetings, Winter Meeting, Summer Meeting, and COPAS Standing, Special and Sub-Committee meetings.)
 - 2) Provisional and International Societies: at least one Council meeting or Leadership Conference each calendar year
 - c) becoming inactive as a local Society
 - d) failure to meet membership requirements for admission
 - e) failure to comply with COPAS policies and procedures, including the COPAS Bylaws, COPAS Code of Ethics, and COPAS Antitrust Policy.
2. When a Society fails to meet the requirements described above in Paragraphs 1, a) through 1, e), the following actions will be taken:
 - a) The Board will notify, in writing, any Society subject to suspension.
 - b) Assistance will be offered by the Board to any Society subject to suspension to remedy any deficiencies.
 - c) Any Society remaining deficient after a period of one year from Board notification may be recommended for suspension from Council activities. However, the Board, at its discretion, may recommend suspension of any Society sooner if warranted by the nature of the deficiency. Further, the Board may recommend an extension of this period if the Society has exhibited efforts to remedy the deficiencies.

- C. At each annual election, there shall be elected three directors for a period of three years to replace directors whose terms expire. Each Society shall have one (1) vote for three different nominees for three different director positions with the three candidates receiving the most votes being declared the newly elected directors. In case of ties for an undecided position, a second vote shall be taken among the tying candidates, or if a winning candidate is unable to serve because of conflict with Article III, Section D, a second vote shall be taken among the remaining eligible candidates for the undecided position(s), with each Society having one vote for each position. If a second vote also results in a tie, the COPAS Board of Directors shall cast the determining vote.
- D. A company ~~or Society~~ may have not more than two directors nor shall a Society have more than three directors. The Nominating Committee is responsible for assuring that no company or Society shall have a nominee(s) that, if elected, would cause that company to have more than two (2) directors or that Society to have more than ~~two (2)~~three (3) directors. However, a director who relocates to a different company and/or Society shall be entitled to complete his/her term even though such relocation causes the Board to temporarily have more than two directors from a company ~~and/or~~or three directors from a Society.
- E. Elections shall be held each year at a Council meeting prior to year-end (generally the Fall Council meeting). A Society may not vote by proxy. If a vacancy arises on the Board of Directors, the Board shall appoint a replacement to serve the remainder of the term, subject to approval by the Council at its next meeting.
- F. There shall be four officers of the Council, a President, a Vice-President, a Secretary, and a Treasurer. Officers shall be elected for one-year terms by a majority vote of the new Board of Directors, present and voting, at a meeting of the Board to be held after the Council meeting where elections were held, but prior to year-end. The officers' terms of office shall be for the calendar year commencing January 1st of the year following the election. If any elective office is vacated, it shall be the duty and responsibility of the Board of Directors to fill such vacancy for the unexpired term. The Board of Directors may remove an officer from his or her officer position, for good cause, by a vote of two-thirds of the Board of Directors.
- G. There shall be a Nominating Committee for each Board of Director election, consisting of a chair appointed by the President and ratified by the Board of Directors and three other members from Participating Societies elected by the Council by plurality vote at the Council meeting when elections were held.
- H. There shall be an Executive Director of COPAS. Such a person shall be selected by the Board of Directors and approved by the Council whenever a vacancy occurs. The Executive Director will function as an employee of COPAS with compensation to be approved by the Board of Directors.



Vendor Audits

ACCOUNTING GUIDELINE

9

Publication/Revision Date - April 2010

Council Approved

PRUTCOM Approved: January 28, 2025

Voting Draft dated February 24, 2026



**COPAS ACCOUNTING GUIDELINE 9
VENDOR AUDITS**

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I. INTRODUCTION

Disclaimer

The following document is published for informational purposes only and is intended to provide guidance with respect to vendor audits in the petroleum industry. It is not the intent of this Accounting Guideline (“AG”) to substitute for a specific audit program which addresses a particular area of the service industry or the audit needs of the company for which the audit is performed. Vendor audits may be performed at any time, subject to the right-to-audit provisions in a written contract or purchase agreement, or to the cooperation of the vendor in cases where audit rights are not expressly established. Auditors are encouraged to use this AG as a framework to develop a detailed audit program tailored to the specific engagement.

This AG has been reviewed by the Petroleum Accountants Societies through representation on the Council of Petroleum Accountants Societies, Inc.

Benefits

Key benefits of performing a vendor audit include:

1. Cost recovery through identification, correction, and prevention of billing errors,
2. Risk mitigation by identifying noncompliance with contractual or regulatory requirements,
3. Process improvement via uncovering inefficiencies or control weaknesses in vendor or internal operations,
4. Strengthened vendor relationships through increased transparency and accountability, and
5. Clarification of contract terms by identification of vague or ambiguous contract language.

Purpose

The overall purpose of performing a vendor audit includes the following objectives:

1. **Safeguard company assets** – This includes protecting the company’s financial resources by verifying that vendor-billed charges comply with contract terms, ensuring that equipment and services billed were necessary and properly supported, and confirming that vendor practices promote continuity, reliability, and stability within the supply chain.
2. **Evaluate the vendor** – The vendor selected for audit should be evaluated for financial responsibility, government and agency compliance, and business ethics.
 - a. Financial responsibility – A determination should be made regarding the financial stability of the vendor.
 - i. Was proper verification of the vendor’s financial credibility performed before the contract was awarded?
 - ii. If verification is outdated, is re-verification appropriate?
 - iii. Is there evidence that the vendor maintains adequate working capital and financial stability to meet its obligations?
 - iv. Are subcontractors or suppliers being paid promptly and have any liens been filed against company-operated properties?
 - v. Does the vendor have the necessary equipment and skilled personnel to perform the service required?
 - vi. Does the vendor maintain the appropriate insurance coverage as required by contract?

- b. Government and agency compliance – The auditor should, to the extent possible, assess the business reputation of the vendor. A determination should be made as to whether the vendor is in general compliance with federal and state laws involving taxes paid on behalf of the operator, the environment, safety, and labor regulations. The auditor should also briefly review any outstanding litigation to detect any possible negligence or deceptive operating pattern.
- c. Business ethics – Throughout the course of the audit, the auditor should be aware of a vendor's "corporate culture" and determine whether the vendor is an organization that meets or exceeds the minimum standards of ethics and fair dealing of the auditing company. Indicators that a vendor has a higher risk of improper or unethical behavior include the following:
- i. Does the vendor have an ethics policy or code of conduct?
 - ii. Does that policy/code reasonably comply with the auditing company's standards/requirements?
 - iii. Is that policy properly communicated by management to all employees and subcontractors?
 - iv. Are there controls in place to detect deviations from policy?
 - v. How is the vendor viewed in the community?
 - vi. Does the vendor have a confidential mechanism to report fraud, theft, suspicious activity, or unsafe practices?
3. **Ensure contract compliance** – Ensure that all parties adhere to the terms and conditions of the contract, including verifying that goods and services are delivered as agreed, pricing and billing align with contractual rates, and any deviations, such as change orders, are properly documented and authorized. Contract compliance mitigates financial risk, ensures transparency, and supports operational accountability.
4. **Reducing the auditing company's capital and operating costs** – By reviewing transactions between the vendor and the company the auditor is representing, the auditor may detect errors and obtain a refund, thereby reducing drilling, operating, or construction costs. These variances may result from accounting errors or from charges that are inconsistent with contract provisions.
5. **Act as a deterrent against unnecessary costs in the future** – Periodic audits serve as a deterrent to noncompliance by reinforcing accountability and encouraging vendors to maintain accurate and transparent practices. The audits can alert the company to a problem area and can proactively lead the vendor to take corrective action.
6. **Identify possible improper behavior or unethical practices by either party** – The auditor should be, to the extent possible, aware of signs of improper behavior or unethical practices by any party or individual involved. Violations may include:
- a. Fictitious shell entities set up by employees or others that may or may not provide goods or services,
 - b. "Substitution-of-materials" schemes that supply faulty or inferior goods,
 - c. Incomplete shipments or goods not delivered,
 - d. Services performed unnecessarily, or services never performed,
 - e. High prices charged when the goods can be bought directly or less expensively from the same or another vendor, and

- f. Corruption schemes, including improper payments and kickbacks, conflicts of interest, gifts and gratuities to company employees, and commissions to brokers and others.

Objectives

While the specific objectives of each audit may vary depending on the scope and nature of the engagement, the general objectives of a vendor audit typically include:

1. Validating invoice accuracy to ensure correct billing,
2. Verifying contract compliance by confirming adherence to the terms and conditions of the contracts,
3. Assessing conduct to ensure the vendor operates in a manner consistent with ethical business practices,
4. Evaluating internal controls of both the vendor and the auditing company to identify potential weaknesses or gaps,
5. Fostering communication by establishing rapport and open lines of communication for future audits or engagements.

Vendor Audit Areas

Vendor audit areas can include, but are not limited to, the following areas of costs due to higher dollar spend, volume of activity, and enhanced risk operations.

1. **Land & Leasing**
 - a. Land brokers (lease acquisition)
 - b. Title opinions
2. **Drilling & Completions**
 - a. Drill pad construction
 - b. Drilling operations
 - c. Well completions
 - d. Hydraulic fracturing (fracking)
3. **Sand Operations**
 - a. Sand plant mining and processing
 - b. Sand purchase and transportation
4. **Production & Facilities**
 - a. Production facility construction
 - b. Lease operating expense (LOE)
 - c. Roustabout services
 - d. Workover operations
5. **Saltwater Management**
 - a. Saltwater hauling
 - b. Saltwater pipelines

- c. Saltwater disposal
 - d. Saltwater reclamation
- 6. Midstream & Downstream Services**
- a. Midstream providers
 - b. Downstream providers
- 7. Other Facility Construction**
- a. Sand plants
 - b. Saltwater disposal facilities
 - c. Pipelines and gathering systems

Types of Audits

Vendor audit types include cost-recovery audits, policy audits, system audits and fraud investigations. A vendor audit can be one of these types or a combination depending on the specific vendor, company, and audit objectives, in addition to functions performed.

1. Cost-Recovery Audits

- a. Review invoices to determine the accuracy and validity of the charges as well as compliance with the terms and conditions of the contract (if one exists).
- b. Review invoices for billing errors that can include, but are not limited to, incorrect mark-ups, vendor overhead costs, incorrect labor rates, duplicate payments, omitted discounts, miscalculated charges and/or incorrect taxes.

2. Policy Audits

- a. Perform audits to determine compliance with governmental agencies and company policies (e.g., safety, drug/substance abuse, environmental regulations, ethics/code of conduct, etc.).

3. System Audits

- a. Examine an organization's systems, processes, and controls to assess their effectiveness, efficiency, and compliance with relevant regulations and standards.
- b. Evaluate the design, implementation, and performance of various aspects of the system, such as IT infrastructure, security protocols, data management, and internal controls.
- c. Review and determine weaknesses within the vendor's systems (e.g., allocations, purchasing, accounts payable/receivable, record retention).

4. Fraud Investigations

- a. Thoroughly assess the incident, encompassing the events that transpired, the manner of its detection, the individuals implicated, and the ensuing consequences.
- b. Identify the necessary resources, including legal, security, human resources, supply chain management, and other relevant departments.
- c. Thoroughly review company records, policies, documents, emails, and any other pertinent evidence to substantiate the fraud investigation.

- d. Conduct comprehensive interviews with key personnel to gather their perspectives and insights.
- e. Analyze all evidence meticulously and compile a confidential report that presents a comprehensive account of the findings.
- f. Establish a clear consensus on the next steps, including determining the appropriate stakeholders for internal or external communication, and assigning responsibilities for the subsequent action items.

Fraud investigations require a methodical, objective, and ethically grounded approach to uncover potential misconduct and protect organizational integrity. These audits extend beyond routine financial reviews, often involving sensitive issues that demand discretion, analytical precision, and collaboration across departments. The investigative process is designed to establish facts, assess risk, and support informed decision-making, while maintaining confidentiality and adherence to professional standards. Additional information related to fraud investigations or investigations of suspected irregularities can be found in COPAS AG-10, *Investigation of Suspected Irregularities*.

Ownership of the fraud investigation process can vary significantly across organizations, depending on internal structures, risk tolerance, and regulatory exposure. In some cases, the internal audit department may lead the effort, especially when the suspected fraud involves financial misstatements or billing irregularities. In other instances, legal, compliance, or security teams may assume primary responsibility, particularly when the issue carries potential legal liability, reputational risk, or criminal implications.

Types of Vendors

Most vendors or contractors in the oil and gas industry will generally fall into one or more classifications (e.g., lease acquisition, exploration, production, midstream, and downstream companies can perform engineering, procurement, transportation, and construction services), each with unique characteristics or questions to ask and costs to be validated. Below are examples of questions that might be asked during the audit.

1. **Drilling Contractors** – Drilling contractors typically provide drilling services based on daywork (charge a daily rate), footage (charge per foot drilled), or turnkey (lump sum contract)
 - a. Additional charges can include:
 - i. Mobilization/demobilization rates – What is included in the mobilization/demobilization rates?
 - ii. Reimbursable costs – What items are considered reimbursable or should be provided by the drilling contractor?
 - iii. Repairs to equipment – How much time is allowed for equipment repair, and does the contractor receive the full operating rate?
 - iv. Standby rates – In what situations do the standby rates apply?
 - v. Hazardous material/safety bonuses.
 - vi. Any additional costs not listed
 - b. What documentation is included with the invoice (e.g., tour reports)?
2. **Suppliers** – Suppliers provide various materials, such as:

- a. These materials include the following but are not limited to:
 - i. Casing and tubing
 - ii. Bits
 - iii. Line pipe
 - iv. Pumps
 - v. Water
 - vi. Sand
 - vii. Valves
 - viii. Production equipment
 - b. Suppliers typically charge per unit and may offer discounts for bulk orders, repeat customers, and/or paying invoices early.
 - i. Who pays for transportation/freight costs?
 - ii. Are supplies taxable, and if so, have they been calculated correctly?
 - iii. Do the materials received match the materials identified on the purchase order and the field ticket?
 - iv. Were any credits given/received for any unused/returned materials?
 - v. Are the materials properly and fully described on the invoice?
3. **Consultants** – Consultants can include land brokers, engineers, auditors, environmental specialists, and many other professionals. Costs will generally be based on hourly labor rates, which may be “bare” (do not include payroll benefits and burdens) or “fully loaded” (include percentage to cover payroll benefits and burden costs). Additionally, consulting companies may charge mark-up/overhead fees for office supplies, software usage, utilities, etc.
- a. Are the labor rates fully loaded, and if so, what costs are included in the rates, and how are the rates determined?
 - b. How are the mark-up/overhead fees applied?
 - c. What are the mark-up/overhead fees intended to cover?
 - d. Review timesheets to determine the validity and accuracy of time periods and hours charged.
4. **Construction** – The largest portion of construction costs will be for labor expense (both manual labor and supervision), subcontractors, materials, equipment, and mark-up/overhead fees to cover items such as consumables or small tools. There may also be charges for items such as insurance, bonds (performance or warranty), relocation and travel, and permits and licenses.
5. **Service Providers** – Service providers can include cementing, mud charges, fracturing, seismic, inspection companies, water hauling, fluid disposal, and water pipeline transportation. Service providers will typically charge per unit (hourly, volume pumped, etc.).
- a. Was the service company providing services to others in the surrounding area?
 - b. Are services taxable; if so, have the taxes been calculated correctly?
 - c. Was work performed on the correct property or project?
 - d. What labor costs (e.g., operator) are included in equipment or time-based (daily/hourly) rates?
 - e. Was a full description of the services provided?

Types of Contracts

Although every contract is unique, many contracts or agreements will fall into one of these categories, based on billing methodology:

1. **Time-and-Materials** – Under time-and-materials contracts, vendors typically use predetermined rates (which include factors for overhead and profit) for labor, equipment, and materials. For example, a construction company may charge customers a flat hourly rate of \$100 for welders but may pay their welders only \$20 to \$40 per hour.
 - a. A time-and-materials contract increases the customer's risk because if project costs go over budget, the customer is responsible for the increase in costs.
 - b. Unless a provision in the contract addresses the issue, a time-and-materials contract can adversely reward a vendor for increasing costs (e.g., the higher the costs, the greater the profit).
2. **Lump Sum** – In a lump sum or fixed-fee contract, the vendor agrees to provide specified services and/or materials for a specific price. The customer agrees to pay the price upon completion of the work or according to a negotiated payment schedule.
 - a. When developing a lump sum bid, the vendor will estimate the costs of labor and materials and add to it a standard amount for overhead and desired profit. A lump-sum contract increases the vendor's risk because if project costs go over budget, the vendor's profit is diminished. However, if the project is completed under budget, the vendor increases its profits.
 - b. Three keys to auditing against a lump sum or fixed-fee contract are verifying:
 - i. payments made on a payment schedule equal 100% of the contract value,
 - ii. any change orders billed were approved by company project management,
 - iii. all quality standards of materials and installation were met and no "short cuts" taken to increase vendor profitability.
3. **Cost-Reimbursable or Cost-Plus** – A cost-reimbursable or cost-plus contract is similar to a time-and-materials contract except that costs are reimbursed as they are incurred; then mark-ups are applied to the subtotal. For example, a contractor would bill its \$20 to \$40 per-hour welders to the customer at cost, plus a 5% mark-up for overhead, a 3% mark-up for consumables, and a 7% mark-up for profit.
 - a. The key to auditing against a cost-reimbursable or cost-plus contract is verifying the original cost (i.e., did the construction company really pay its welders \$20 to \$40 per hour, or did it pay them \$15 to \$35 per hour?). Are the hours charged the same as the hours actually paid to the workers?
 - b. The customer assumes a greater portion of the risk involved in a cost-reimbursable or cost-plus contract, similar to a time-and-materials contract.
4. **Unit-Price** – In a unit-price contract, the work to be performed is broken into segments, or units. As the vendor completes each segment, a price agreed upon by both parties is charged. For example, a drilling contractor using a unit-price contract may charge \$200 per foot drilled for a 15,000 foot well. The per-foot price includes the vendor's labor costs, materials, equipment usage, repair costs, overhead, and profit.

II. AUDIT PROGRAM

Vendor Selection

Vendor or contractor audit candidacy and subsequent selection may occur for myriad reasons and at various levels of the organization, including (but not limited to) the following:

Internal Audit Origination

1. **Business Segment Risk Analysis** – Auditors may review historically high-risk services such as water procurement, transportation, disposal, pad and facility construction, or other unobserved work based on the company's existing control environment or risk tolerance. The type of contract often dictates the need for an audit. For example, a cost-plus arrangement requires more intensive scrutiny than a lump sum arrangement. Auditors may select vendors based on several criteria:
 - a. **Vendor Risk Analysis**
 - b. **Spend** – Determine the percentage of sales or activity the auditing company represents compared to the vendor's overall sales. Obtain or process company reports to gather total vendor sales, if available. Vendors with a higher percentage are likely better audit candidates.
 - c. **Vendor Activity Changes** – Sudden or significant changes in activity may indicate enhanced risk to the organization or vendor relationship.
 - d. **Reputation** – Evaluate the vendor's reputation within the oil and gas industry and within the organization. Gather information related to key performance indicators, results of prior audits, and key stakeholder input.
 - e. **Safety** – Does correlation exist between reported safety violations and errors in accounting?
2. **Contract Compliance and Complexity** – Evaluate historical compliance with contract terms, overpayments, and known or resolved duplicate charges. Assess the complexity of contract terms to identify potential for overcharges. For example, varying rates for similar services across different operational areas provide enhanced opportunities for errors compared to a single rate for the service.
3. **Statistical Sampling** – Auditors may select audit candidates using a purely statistical sample based on predetermined limits and rates of expectancy.

Company Management or Operation Personnel Input

1. **Management or Operations Request** – The company's management or operations group may request a vendor audit based on issues such as poor performance, cost overruns, or billing inaccuracies. Operations may seek to evaluate the vendor as a going concern, ensure supply chain stability, or assess performance before considering the vendor for a significantly larger project.
2. **Ethics Concerns** – Ethics concerns may include allegations of impropriety or wrongdoing, fraud, or improper relationships between the vendor and the organization. Depending on the organization, audit may exist as a function of Audit, Legal, Corporate Security, etc., and should be evaluated based on organizational protocols.

NOTE: If the vendor audit is part of an internal operational audit, select vendors representative of the services obtained by the operating group (division, region, or district).

Preparation Work

1. **Information Gathering** – Determine what records exist internally and obtain them for preliminary review. Key information and records may include, but are not limited to:
 - a. Master service agreement /contract (“MSA/C”) (confirm audit rights)
 - b. All amendments to the Agreement/Contract (may only exist in Operations, rather than Procurement or Legal)
 - c. Determine vendors account payable balance with the company
 - d. How long has the vendor worked for the company?
 - e. Does the vendor factor their accounts receivable? If so, does the company allow this?
 - f. Transaction ledger or invoice meta-data from the system of record
 - g. Operational key performance indicator reviews
 - h. Historical audit records and/or reports
 - i. Service contracts, pricing agreements, rate sheets, etc.
 - j. Record of reportable safety incidents
 - k. Service records and well reports (sometimes overlooked in vendor audits)
2. **Identify Key Stakeholders** – Discuss the audit with key stakeholders within your organization, preferably those with personal knowledge of performance and invoicing. Include personnel from:
 - a. Upper Management
 - b. Operations – company personnel that oversee the vendor’s work and the company supervisor who approves the vendor invoices
 - c. Supply Chain
 - d. Corporate Security
 - e. Accounts Payable personnel who process the vendor invoices
 - f. Accountant responsible for overseeing and accounting for the vendor data
 - g. Vendor Management

NOTE: If improper relationships are suspected between the vendor and the company, it is advisable to withhold your intention to audit the vendor from those requisitioning work or those that may alert the vendor to the nature of the audit. Stakeholder communication should benefit the company.

3. **Determining the Scope of the Audit** – The MSA/C should include terms regarding audit rights and scope. If your organization does not include this information, evaluate the need, purpose of the audit, and possible risk attributes. Most companies can provide electronic records without an undue burden. However, if they are unable, a preliminary sample selection may be appropriate. Selection criteria may include:
 - a. Selecting the three highest consecutive months or any other combination of months
 - b. Selecting the highest monthly dollar amounts
 - c. Sorting the 12-month period by invoice amount, with the larger dollar invoices selected

NOTE: Auditors should be aware of challenges arising from auditee employee turnover. While records are expected to remain accurate and consistent regardless of preparer, turnover may impact formatting, completeness, and accessibility of documentation. Additionally, current personnel

may disclaim responsibility or familiarity with records created by predecessors, complicating efforts to validate or interpret historical data.

4. **Preliminary Review** – Perform a preliminary analysis of the data and records. During the preliminary review, it may be appropriate to test some areas on a sample basis. Common areas of review may include:
 - a. Duplicate invoice review
 - b. Sales-and-use tax review
 - c. Rate evaluation and testing
 - d. Confirmation of work as represented via well reports
 - e. Review transactions for outliers and anomalies

NOTE: Depending on your organization's culture or structure, vet your preliminary findings with stakeholders to ensure alignment, obtain buy-in, and discuss any additional areas of concern. Exercise enhanced caution when sharing potentially negative vendor information with personnel.

5. **Scheduling the Audit** – Once the vendor to be audited has been determined, notify the vendor of the desire for an audit. Although the audit likely should not be unannounced, it should begin as soon as possible after notifying the vendor. The steps to be taken are as follows:
 - a. Determine who should initially engage the vendor and inform of audit selection. Depending on your organization, it may be advisable to request staff from the appropriate operating group make the initial contact; however, if agreed to by management, the audit organization may make the initial contact.
 - b. Either during or after the initial contact, the auditor and vendor will determine:
 - i. **Opening Conference** – Schedule the date, time, location, and attendees. Holding the conference at the vendor's office or the location of records is often beneficial.
 - ii. **Fieldwork Start** – Determine the start date and location for fieldwork, which can often begin immediately following the opening conference.
 - iii. **Audit Period** – Define and confirm the time period under review so the vendor can ensure the availability and production of the appropriate records.
 - c. Once the above is determined, send an audit confirmation letter summarizing this information to the vendor, signed by either a representative of the operating group or the auditing organization.
 - d. Prior to initiating information requests and data exchange, it is prudent for the company and vendor to sign a confidentiality agreement. This will help protect both parties when handling sensitive vendor and company information during and after the audit is completed.
6. **Developing Lead Schedules** – If not already acquired, download invoice data, ideally including line-item detail for detailed testing. Best practices include archiving the original data. For charges within the scope of the audit, review and analyze the data to identify potential duplicates, compare to the rate schedule, verify the accuracy of invoice calculations, and reconcile vendor records. Depending on the level of electronic details, manual or automated techniques to extract data from invoice images may be required. Key data points should include:
 - a. Invoice number and date
 - b. Lease, property, project, or AFE reference

- c. Work ticket number
 - d. Labor hours, rates, and dates worked
 - e. Employee name and job function or job title
 - f. Equipment hours, rates, and description
 - g. Material rates, descriptions, and quantity
 - h. Third-party charges (e.g., subcontractor)
 - i. Mark-ups, overhead fees, and/or taxes
7. **Field Trip** – If needed, prior to the scheduled office visit, schedule a field trip to observe and document the field operations. This procedure can be very beneficial for the auditor's understanding of the vendor's work and document flow.
- a. The auditor can request to meet with the Operations, Safety, and Office Managers.
 - b. Perform a site tour and document work process and information and document flow for invoice preparation.
8. **Other Preparation Steps** – If not already completed:
- a. Obtain the contract, purchase agreements, and any amendments
 - b. Obtain rate schedules or price lists
 - c. Obtain certificates of insurance
 - d. Obtain a listing of company employees interacting with this vendor; ensure the job function of each person is included
 - e. Obtain and review any past audit reports, if available
 - f. Procure a business inquiry on the vendor
 - g. Review the contract award process for this vendor; determine how and why the vendor was selected and review any competitive bid files
 - h. Obtain a list of vendor employees or a vendor organizational chart

Audit Testing/Field Work

Audit testing can be categorized into two main areas:

1. Verification of goods and services received in accordance with the terms of the contract
 - a. Material purchases were received, invoiced accurately, and paid in full, including any applicable discounts.
 - b. Equipment rentals for equipment utilized on the job site adhere to the contract terms, including rates and third-party markups.
 - c. Labor, burden, and overhead costs align with contract terms, payroll records, and applicable local laws and regulations:
 - i. Ensure that labor rates comply with contract terms.
 - ii. Reconcile labor hours to employee/sub-contractor time sheets.
 - iii. Validate time sheet hours to payroll register.
 - iv. Confirm labor payments through checks, electronic fund transfer records, or vendor bank statements as evidence that employees were accurately compensated.
 - v. Verify that labor costs, including worker's compensation, payroll taxes, union dues, benefits, etc. are compliant with applicable laws and regulations in the jurisdiction where the workers are employed.
 - d. Invoices issued by the vendor should reflect completed work, include approved work tickets, demonstrate accurate calculations, and apply correct taxes for the

location where the work occurred. Discounts should be applied appropriately and in accordance with contract terms.

- e. Third-party subcontractor charges are applicable, supported with work tickets signed by company employees to verify work performed, and markups are compliant with contracted terms and conditions.
- f. Bonds and insurance required by the contract were duly purchased, and the coverage is satisfactory.
- g. Change orders are documented, accurate, and priced in accordance with contract pricing terms.
- h. Quality control and assurance processes are operational.

NOTE: It is noted that detailed audit steps could be provided for the myriad types of contracts in the oil and gas industry. However, in lieu of providing an exhaustive list of potential audit steps, best practices include a review of individual contracts within audit scope and developing a specific, detailed audit plan to ensure compliance with contract terms.

- 2. Confirmation of the business relationship between the vendor and the company to ensure compliance with the company's ethical business practices:
 - a. Assess vendor viability and ethical standards through external information sources, including credit reports, Better Business Bureau (BBB) ratings, annual reports, and other publicly available data.
 - b. Evaluate vendor for potential conflicts of interest:
 - i. Ensure the contract clearly outlines the conflict-of-interest provisions and reporting mechanisms.
 - ii. Examine the vendor's books and records to identify any instances of gifts, entertainment, or excessive business meals provided to company employees or government officials (This may also be accomplished with a questionnaire asking the vendor to list all gifts and payments made to company employees.)
 - iii. Examine the vendor's financial records and correspondence to identify any transactions involving current or former company employees or their relatives, including compensation, loans, equipment, or labor.
 - c. Analyze the company's bidding and vendor selection processes to ascertain whether any form of favoritism is being exhibited towards a specific vendor.

Office Visit

Schedule time to meet with the Chief Executive Officer, Chief Financial Officer, Controller, Accountants, Information Technology and Human Resources personnel. Discuss the following with appropriate personnel:

- 1. Is there any outstanding litigation?
- 2. Request an organization chart.
- 3. Does vendor have a vendor hotline?
- 4. Document the billing process.
- 5. Determine the vendor's accounts receivable balance with the company.
- 6. Document the back-office set-up.
- 7. Verify the vendor performs background checks and performs drug testing on new and current employees.
- 8. Assess executive and staff stability/turnover.

Use of Data Analytics and Audit Tools

To enhance audit efficiency, accuracy, and coverage, auditors are encouraged to incorporate data analytics techniques and digital tools throughout the audit process. These tools can help identify anomalies, trends, and high-risk transactions that may not be evident through manual testing alone. Recommended practices include:

1. Data extraction and transformation from enterprise resource planning systems, timekeeping software, and contractor databases to enable automated testing.
2. Trend or variance analysis to identify unusual fluctuations in labor hours, equipment usage, or material costs.
3. Statistical sampling to detect potential fraud or irregularities in invoice amounts or payment patterns.
4. Duplicate detection algorithms to identify overbilling.
5. Visualization tools to present findings clearly and support decision making.
6. Contract compliance analytics to compare billed rates, hours, and quantities against contract terms.
7. Continuous auditing techniques for real-time or near-real-time monitoring of high-risk areas.

Auditors should leverage tools available or specialized audit software to streamline testing procedures and improve audit coverage.

NOTE: The use of data analytics should be tailored to the scope and complexity of the audit and aligned with the auditor's professional judgment and available resources.

Audit Results Reporting and Resolution

Closing Meeting – At the conclusion of field work, schedule a closing meeting with vendor to:

1. Document the status of information requests and communicate any documents not provided during field work.
2. Ensure all audit exceptions are fully documented and supported. Any To-Be-Determined ("TBD") items should be kept to a minimum.
3. Discuss and document any additional work necessary to conclude audit.

NOTE: Any findings of a fraudulent or unethical nature should not be communicated to the vendor until follow-up with company management, legal, and/or security has been completed.

Audit Report

1. It is recommended, no later than 60 days after field work is completed, a formal audit report should be prepared, distributed, and reviewed with company management and internal audit.
2. A concise audit report summary should be prepared and distributed that includes the vendor's name, audit scope, background information, and exceptions.
3. If needed, auditor recommendations that will improve operating and accounting processes should be communicated to company management and internal audit to determine if there were control failures that allowed overcharges and/or non-compliance and what controls might mitigate these risks.

Audit Resolution

1. If audit exceptions were not responded to and resolved with the vendor during the audit field work, it is recommended the vendor should be allowed no more than 60 days to respond in writing to the audit exceptions.
2. When the written responses are received from the vendor, if needed, it is recommended the auditor has no more than 60 days to respond in writing to the vendor.
3. When both parties agree to the resolution of the exceptions, if corrections are needed, it is recommended the vendor has no more than 60 days to make the corrections, then communicate to the auditor the accounting month the corrections were made and any additional information related to the credit memo/invoice or payment of refund.
4. The auditor will then verify the company received the corrections and then prepare a closing letter to be sent to the vendor notifying them the audit is closed.

For Council Approval April 30, 2016

III. EXHIBITS

Exhibit 1 – Standard Vendor Audit Information Request Template

To: [vendor contact name]

Company: [vendor company name]

Email: [vendor email address]

Date: [insert date]

From: [auditor name/audit firm name]

Subject: Request for Information – Vendor Audit

Purpose of Request

As part of our routine vendor audit process in accordance with contractual terms and industry best practices (COPAS AG-9, *Vendor Audits*), we are requesting the following documentation and information to facilitate our review of transactions and compliance.

Requested Information

<u>#</u>	<u>Category</u>	<u>Description</u>	<u>Format</u>	<u>Due Date</u>
<u>1</u>	<u>Contracts</u>	<u>Copies of all active MSAs/Cs, and amendments with [operator name]</u>	<u>PDF</u>	<u>[Insert Date]</u>
<u>2</u>	<u>Invoices</u>	<u>All invoices billed to [operator name] from [start date] to [end date]</u>	<u>Excel/PDF</u>	<u>[Insert Date]</u>
<u>3</u>	<u>Timesheets</u>	<u>Supporting timesheets for labor charges billed</u>	<u>Excel/PDF</u>	<u>[Insert Date]</u>
<u>4</u>	<u>Rate Schedules</u>	<u>Current and historical rate schedules applicable during audit period</u>	<u>PDF</u>	<u>[Insert Date]</u>
<u>5</u>	<u>Expense Receipts</u>	<u>Receipts for reimbursable expenses (e.g., travel, lodging, materials)</u>	<u>PDF</u>	<u>[Insert Date]</u>
<u>6</u>	<u>Subcontractor Info</u>	<u>List of subcontractors used and related invoices</u>	<u>Excel/PDF</u>	<u>[Insert Date]</u>

<u>#</u>	<u>Category</u>	<u>Description</u>	<u>Format</u>	<u>Due Date</u>
<u>7</u>	<u>Policies</u>	<u>Internal billing, travel, and expense policies</u>	<u>PDF</u>	<u>[Insert Date]</u>
<u>8</u>	<u>Other</u>	<u>[Any additional items specific to the audit scope]</u>	<u>[Format]</u>	<u>[Insert Date]</u>

Instructions

Please submit all documents electronically via secure file transfer or encrypted email.

If any requested item is unavailable, provide a written explanation.

Contact us with any questions or clarifications regarding this request.

Auditor Contact Information

Name: [auditor name]

Title: [auditor title]

Email: [auditor email]

Phone: [auditor phone number]

For Council Approval April 30, 2026

Exhibit 2 - Vendor Audit Report Cover Letter

Date: [insert date]

To: [vendor contact name]

Company: [vendor company name]

Email: [vendor email address]

Dear [vendor contact name],

We have completed the audit of your company's transactions with [operator name] for the period [start date] to [end date]. The audit was conducted in accordance with the guidelines set forth in COPAS AG-9, *Vendor Audits*.

The purpose of this audit was to ensure that costs billed by your company are accurate, reasonable, and in compliance with contractual terms. Our audit included a review of invoices, timesheets, rate schedules, expense receipts, and other relevant documentation.

Summary of Audit Findings:

[Provide a brief summary of the audit findings here. Include key points such as overbilling, discrepancies, compliance issues, etc.]

Next Steps:

We request your cooperation in addressing the findings outlined in the audit report. Please provide a written response to each finding, including any supporting documentation or explanations, by [Insert Due Date].

If you have any questions or require further clarification, please do not hesitate to contact us.

Thank you for your cooperation.

Sincerely,

[auditor name]

[auditor title]

[auditor email]

[auditor phone number]

Exhibit 3 - Summary of Exceptions

The following table summarizes the exceptions identified during the vendor audit. Each exception is listed with a description, reference (e.g., invoice number), amount, and auditor comments.

Exception Number	Description	Reference (e.g., invoice number)	Amount	Auditor Comments
[Exception Number]	[Description]	[Reference]	[Amount]	[Auditor Comments]
[Exception Number]	[Description]	[Reference]	[Amount]	[Auditor Comments]
[Exception Number]	[Description]	[Reference]	[Amount]	[Auditor Comments]
[Exception Number]	[Description]	[Reference]	[Amount]	[Auditor Comments]
[Exception Number]	[Description]	[Reference]	[Amount]	[Auditor Comments]

Exhibit 4 – Preliminary Exception Template (Audit Report Format)

During the audit period, [vendor name] billed rates for [services] that exceeded those specified in [contract name]. The audit team reviewed the applicable invoices and compared the billed rates to the contract terms. This review revealed multiple instances where the vendor applied higher rates than those agreed upon. These discrepancies suggest a deviation from the contractual pricing structure and warrant further review and resolution.

Credit Requested: \$X,XXX.XX

For Council Approval April 30, 2026

Exhibit 5 – Detailed Preliminary Exception

Description

During the audit period, [vendor name] billed rates for [services] that exceeded those specified in [contract name]. The audit team reviewed the applicable invoices and compared the billed rates to the contract terms. This review revealed multiple instances where the vendor applied higher rates than those agreed upon. These discrepancies suggest a deviation from the contractual pricing structure and warrant further review and resolution.

Background

The audit team conducted a detailed review of invoices submitted by [vendor name] for the period from [start date] to [end date] to ensure compliance with the terms and conditions outlined in [contract name].

Supporting Documentation

The following documents support the identified exception:

1. Copies of invoices submitted by [vendor name] during the audit period.
2. A copy of [contract name] outlining the agreed rates for services.
3. Detailed billing records and rate schedules provided by [vendor name].

Contractual Reference

According to Section [Section Number] of [Contract Name], the agreed rates for [Services] are as follows:

- [Service 1]: \$[Rate 1] per hour
- [Service 2]: \$[Rate 2] per unit

The vendor's invoices indicate rates that exceed these agreed amounts.

Amount

The total overcharged amount identified during the audit is \$[Overcharged Amount] USD.

Auditor Analysis

The audit team analyzed the billing records and identified discrepancies between the billed rates and the contractually agreed rates. The vendor's failure to adhere to the agreed rates resulted in overcharges amounting to \$[overcharged amount] USD. These findings indicate a need for corrective action to address the overbilling and ensure compliance with the contract terms.

Vendor Preliminary Response

[vendor name] provided the following preliminary response to the identified exception:

"[vendor response]"

Exhibit 6 – Vendor Audit Questionnaire

SUBJECT: Company Inc. Vendor Audit

Vendor Name: Vendor Name

REVIEW PERIOD: 2023 - 2024 Service Date Costs

Vendor Mailing Address:

Vendor Owners/Officers:

Basic Service Area: Permian Basin

Vendor Largest Customers Include:

Vendor Name and Branch of Business Bank:

Company Inc.'s work represents approximately % of total vendor's annual business.

Names of Company Inc.'s primary contact(s):

Names of vendor sales associates or employees serving Company Inc.'s account:

Business Relationships:

1. Does your company have a business expense reporting policy? YES or NO
2. If your answer to question 1 is yes, please describe and attach a copy of the policy.
3. Does your company have a business ethics policy? YES or NO
4. If your answer to question 3 is yes, please describe how compliance is monitored and attach a copy of the policy.
5. Has your company ever provided business entertainment to any Company Inc.'s employee? (i.e. meals, tickets to sporting events, hunting trips, use of your firm's transportation or lodging, etc.) If so, please list all instances.
6. Has your company ever employed any Company Inc.'s employee or their relatives on either a full-time or part-time basis? YES or NO
7. Has your company or any employee ever loaned money, equipment, vehicles, etc. to any Company Inc.'s employee or their relatives? YES or NO
8. Are you aware of anyone within your company ever having any business relationships outside your contractual arrangement with any Company Inc.'s employee or their relatives? YES or NO
9. Are you aware of anyone within your company being approached by any Company Inc.'s employee for favors? YES or NO

If yes, please explain.

10. Does your company feel they must perform favors or give gifts to any Company Inc.'s employee to keep business? YES or NO

If yes, please explain.

11. Are you aware of any employee that has given any favors to any Company Inc.'s employee? YES or NO

If yes, please explain.

12. Other comments:

Completed by:

Vendor Business Title:

Vendor Signature:

Date:

For Council Approval April 30, 2026

Draft #	Comment #	Comment	Draft CO Section	Comment From Drafting Team Comments
Index				
2	1	Seems this s/b Audit Results Reporting and Resolution	II Audit Program, Pg. i	7 Drafting Team updated.
I. Introduction				
		"Cost Recovery" verbiage could be interpreted as targeted toward vendors. Suggest alternatives including "assurance" or simply strike as covered via		
1	2	contract compliance.	Benefits, Pg. 1	Drafting Team took it under consideration and elected to proceed in current form.
1	3	Internal review component absent in the current draft. Example, what control failures exist that allowed overcharges or non-compliance and what controls would mitigate risks going forward?		Added language in final Audit Results Reporting and Resolution section to address the internal review component concept.
1	4	I found reading the old document easier, as the formatting was easier to follow (for my brain). May consider going back to that formatting, if it doesn't violate COPAS document publishing rules.	I & II	Drafting Team took it under consideration and elected to proceed in current form.
		Why was this moved up in the list? Seems like it was previously after		
1	5	Objectives for a reason. Can you ask the original document drafters? The bullet point list before the detailed, numbered list feels redundant.	Benefits, Pg. 1	Drafting Team received comments from DRT to clarify these sections and the Team elected to move to help that clarification.
1	6	Recommend removal of the bullet pointed list.	Purpose, Pg. 1	5 Drafting Team removed the initial bullet list.
1	7	Purpose 2.a.i.i: Change "aged" to outdated	Purpose, Pg. 1	3 Drafting Team updated.
1	8	Purpose 2.c.i.i: Change "comport" to "comply"	Purpose, Pg. 2	3 Drafting Team updated.
1	9	Purpose 4: Change "obtain refund credit" to "obtain a refund"	Purpose, Pg. 2	3 Drafting Team updated.
		Objectives 3 & 4: To be consistent with other lists provided previously end		
1	10	each item with a comma	Objectives, Pg. 3	3 Drafting Team updated.
		An edit to lead into the list of actions for each audit type. Need to review use of periods in lists and edits to tense.		
		Note guidelines regarding lists on Page 9 of COPAS Style Guide: "In bulleted lists, follow each bulleted item or phrase with a comma, with the word "and" not required for the penultimate item. If the bulleted items are sentences, each item should include a period."	Types of Audits, Pg. 4 Fraud Investigations Pg. 5	3 Drafting Team updated.
1	11	Since you have already used the acronym for Accounting Guideline (AG) and you need to add name of AG in italics	Types of Audits, Pg. 4	3 Drafting Team updated.
		We discussed the removal of the following sentence that is in the current document: "They are best performed by or under the direction of a qualified auditor who has previous experience with fraud investigations and understands the possible legal ramifications."		
		Poll Question: Should the sentence be added back to the section? Yes: 5, No: 5, It Depends: 11		
		Could the team please provide insight into the removal of the sentence and why we shouldn't be "guiding" those conducting fraud audits to use an experienced professional due to those legal ramifications mentioned?	Fraud Investigations Pg. 5	Drafting Team took it under consideration and elected to proceed in current form.
1	13	There isn't a clear transition from the paragraph language to bullet points. For consistency with the three audit types above this one, recommend putting the bullet points before the paragraph language		4 Drafting Team updated.
1	14	Lists under Drilling Contractors – since you only have 1 item for each additional item listed I would just use a dash and not number the item. I think it will read more smoothly.	Fraud Investigations Pg. 5 Types of Vendors, Pg. 5-6	3 Drafting Team updated.

Draft #	Comment #	Comment	Draft CC Section	Comment From	Drafting Team Comments
	1	Should be comma after material, not a period. Word Grammar check will help pick this up.	Suppliers, Pg. 6	3	<i>Drafting Team updated.</i>
	1	Webster prefers "lump sum" vs. lump-sum and WORD Grammar picks up 17 the hyphenated word as an error	Types of Contracts, Pg. 7	3	<i>Drafting Team updated.</i>
	1	Document says "two" keys but three are listed. Changed to three. Add : after verifying before the list.	Types of Contracts – Lump Sum, Pg. 7	3	<i>Drafting Team updated.</i>
	1	18 Add commas at end of each item. Period for last item.			
	2	The use of the phrase 'cost recovery' is indicative of a customer going after their vendors. Vendor relationships are sensitive and ongoing, and this language seems inappropriate. Simply stating "identification, correction and prevention of billing errors" conveys the same thing without the negative connotation.	Benefits, Pg. 1	1	<i>Drafting Team took it under consideration and elected to proceed in current form.</i>
	2	20 Similarly, adding 'potential' here makes the language seem less accusatory. See above comments. This language unfairly indicates that the vendor has errors which need to be corrected, and sets unreasonable expectations of recoveries to the auditing company. Suggest changing "Reducing" to "Validating"	Benefits, Pg. 1	1	<i>Drafting Team took it under consideration and elected to proceed in current form.</i>
	2	21 Clarify or define "Auditing Company" - is this who is performing the audit on behalf of a client or the company who vendor performed	Purpose pt 4, Pg. 2	6	<i>Clarified within the paragraph, no update needed.</i>
	2	22 2 Spaces - Delete \ Space	Purpose pt 4, Pg. 2	7	<i>Drafting Team updated.</i>
	2	Not sure what this means: 1.Safeguard company assets – This includes evaluating the adequacy of internal audit maintenance and care, verifying optimal utilization, and 24 reviewing recordkeeping related to valuation and maintenance costs.	Purpose pt 4, Pg. 2	7	<i>Drafting Team updated.</i>
	2	25 Space needed between is & outdated	Purpose pt 4 2 ii, Pg. 2	7	<i>There is a space in the draft 2 distribution copy, no update needed.</i>
	2	26 See above comments. Suggest changing "Recovery" to "Analysis"	Types of Audits Pt 1, Pg 4	1	<i>Drafting Team took it under consideration and elected to proceed in current form.</i>
		"We discussed the removal of the following sentence that is in the current document: ""They are best performed by or under the direction of a qualified auditor who has previous experience with fraud investigations and understands the possible legal ramifications.""			
		Poll Question: Should the sentence be added back to the section? Yes: 5, No: 5, It Depends: 11			
	2	Could the team please provide insight into the removal of the sentence and why we shouldn't be ""guiding"" those conducting fraud audits to use an experienced professional due to those legal ramifications mentioned?"	Fraud Investigations, Pg 4	4,6	<i>Drafting Team discussed with draft 1 comments and determined it was limiting in nature, more of an instruction than guidance. Individual companies will address risk by audit and should be including a seasoned auditor to assist or supervise.</i>
	2	27 Tulsa does see the need to have the sentence - ok with the removal.			
		There isn't a clear transition from the paragraph language to bullet points. For consistency with the three audit types above this one, recommend putting the bullet points before the paragraph language			
	2	28 Tulsa OK with all grammar changes	Fraud Investigations, Pg 4	4,6	<i>No update needed.</i>
	2	29 Suggested by Word Editor "are not"	Types of Vendors, 2.a, Pg 6	7	<i>Drafting Team updated.</i>
	2	30 Four types listed/examples - update wording to reflect "four"	Types of Contracts, Pg 7	6	<i>Drafting Team took it under consideration and elected to proceed in current form.</i>
	2	31 All either upper case or lower case	Types of Contracts 2.b.i, ii, iii, Pg 7	7	<i>Drafting Team updated.</i>

Draft #	Comment #	Comment	Draft CO Section	Comment From	Drafting Team Comments
		II. AUDIT PROGRAM			
		Internal review component absent in the current draft. Example, what control failures exist that allowed overcharges or non-compliance and what controls would mitigate risks going forward?	Reporting the Results of the Audit and Audit Resolution		<i>Added language in final Audit Results Reporting and Resolution section to address the internal review component concept.</i>
1	32	controls would mitigate risks going forward?			2
1	33	Add : vs. period prior to lists	Vendor Selection, Pg. 8		3 <i>Drafting Team updated.</i>
1	34	Based on the content is "Vendor Risk Analysis" supposed to be 2. Vendor Risk Analysis. Appears more logical due to list of items below it.	Vendor Selection – Internal Audit Orientation, Pg. 8,		3 <i>Drafting Team updated.</i>
		NOTE: Auditors should be aware of challenges arising from auditee employee turnover. While records are expected to remain accurate and consistent regardless of preparer, turnover may impact formatting, completeness, and accessibility of documentation. Additionally, current personnel may disclaim responsibility or familiarity with records created by predecessors, complicating efforts to validate or interpret historical data.			
1	35	Why was this "NOTE: " added here? I'm not sure it adds to the narrative. Recommend removal	Preparation Work Determining the Scope of the Audit, Pg. 9-10		<i>Drafting Team took it under consideration and elected to proceed in current form.</i>
		• Verifying the received goods and services adhere to the contractual terms, and			5
		• Confirming the existence of a legitimate business relationship between the vendor and the company to ensure compliance with ethical business practices.			
1	36	The addition of the bullet points seems redundant with the numbers below in the document. I suggest leaving the sentence as it was in the current	Audit Testing/Field Work, Pg. 11		5 <i>Drafting Team removed the initial bullet list.</i>
1	37	Periods at end of list that are sentences	Audit Testing/Field Work 1., Pg. 12		3 <i>Drafting Team updated.</i>
1	38	Add : prior to list of items	Audit Testing/Field Work 2., Pg. 12 – see attached doc edits		3 <i>Drafting Team updated.</i>
1	39	Vendor should not be capitalized as it is not at the front of a sentence, part of a title nor a defined term in this document.	Audit Report, Pg. 14		3 <i>Drafting Team updated.</i>
		The name of this section could be cleaner and more concise.			
		Poll Question: Could the title be simplified? Yes: 12, No: 3, It Depends: 4			
1	40	Recommended Titles: Results Reporting and Resolution Audit Results Reporting and Resolution Recommend the uncaptialization of NOT in the 'NOTE' and making the 'NOTE' a sentence within #3 instead of a note.	Reporting the Results of the Audit and Audit Resolution, Pg. 13		4 <i>Drafting Team updated - Audit Results Reporting and Resolution.</i>
		Poll Question: Should the NOT be uncaptialized in the NOTE? Yes: 12, No: 9, It Depends: 1			
1	41	Could or should the NOTE sentence be included in #3 of the section? Yes: 12, No: 5, It Depends: 5	Reporting the Results of the Audit and Audit Resolution, Pg. 14		4 <i>Drafting Team updated.</i>

Draft #	Comment #	Comment	Draft CO Section	Comment From	Drafting Team Comments
		To be consistent with the way lists have been broken out in the rest of the document, we recommend going back to a numbered list of what to include in the audit report.			
	1	Poll Question: Would reverting back to a numbered list of information to include in the report be advised? 42 Yes: 17, No: 3, It Depends: 2 For #3, since we are talking about communication with a vendor and not about JIBs, we recommend a change from "the accounting month the corrections were made." to "the credit memo number or check number on which any granted credits will appear."	Reporting the Results of the Audit and Audit Resolution, Pg. 14		4 <i>Drafting Team updated.</i>
	1	Poll Question: Would you recommend a change in language from 'accounting month the corrections were made'? 43 Yes: 12, No: 4, It Depends: 5 Recommend the "NOTE:" be made #4 and read: "Once any granted claims have been received and verified, the auditor will then prepare a closing letter to be sent notifying the Vendor the audit is closed."	Reporting the Results of the Audit and Audit Resolution, Pg. 14		<i>Drafting Team updated - added "and any additional information related to the credit memo/invoice or payment of refund".</i> 4
	1	Poll Question: Would you recommend the last sentence be #4 of the audit resolution steps? 44 Yes: 18, No: 0, It Depends: 1 Should 'Vendor Selection' and 'Preparation Work', 'Audit Testing/Field Work', and 'Reporting the Results of the Audit and Audit Resolution' be lettered or numbered? And, subsequently, the sub-sections within these be lettered/numbered as well?	Reporting the Results of the Audit and Audit Resolution, Pg. 14		4 <i>Drafting Team updated.</i>
	1	45 This section is very jumbled and hard to follow... Do we need to "NOTE: " to the missives throughout this section? It feels distracting and like the "notes" aren't as important as the rest of the language	Audit Program, Pg. 8		<i>Drafting Team took it under consideration and elected to proceed in current form.</i> 5
	1	46 Number selections 1-6 - do not call out "IA" versus "Company or Operations" - all one	Audit Program, Pg. 8		<i>Drafting Team took it under consideration and elected to proceed in current form.</i> 5
	2	47 Eliminate redundancies in prep of audit section "One approach..." sentence does not need to be added - also do not need the "a, b, c" or say "Examples may include but not limited..." 50 Add word "to" to read "compare to the rate..." Field Trip - Why call out "one week" - why not say per contract or with short lead time	Vendor Selection, Pg. 8 Preparation Work, Pg 9 Preparation Work Pt 3, Pg 9 Preparation Work Pt 6, Pg 10 Preparation Work Pt 7, Pg 11		<i>This section updated to reflect this change in draft 2 distribution copy, no updated needed.</i> 6 <i>Drafting Team took it under consideration and elected to proceed in current form.</i> 6
	2	51 Retain same tense in listing of items. 1. Use Verify vs. verification which aligns with Confirm for 2.	Audit Testing/Field Work, Page 11-12		6 <i>Drafting Team updated.</i> 7 <i>Drafting Team updated.</i>
	2	53 Looks like 2 spaces - should be 1	Audit Testing/Field Work, Page 11		3 <i>Drafting Team updated.</i> <i>There is 1 space in the draft 2 distribution copy, no update needed.</i> 7
	2	54 Too Many Spaces before Office Visit	Audit Testing/Field Work, Page 12		<i>There is 1 space in the draft 2 distribution copy, no update needed.</i> 7

Draft #	Comment #	Comment	Draft CC Section	Comment From	Drafting Team Comments
		Numbering of items under "Audit Resolution" needs to be corrected. #3 is 55 deleted.	Audit Results Reporting and Resolution, Page 13-14		<i>The numbering is correct in the draft 2 distribution copy, no 3 updated needed.</i>
	2	56 Document number and date in which credit was granted. Clarifying language here needs to explicitly state that the contracts between company and vendor may already have language that contradicts these recommendations, and that COPAS is only suggesting these guidelines to mirror other COPAS audit language. Also recommend changing 60 to either 57 90 or 180 days.	Audit Results Reporting and Resolution, Page 13-14		<i>Drafting Team took it under consideration and elected to proceed 4,6 in current form.</i>
	2	57 90 or 180 days.	Audit Resolution, Pg 14		<i>Drafting Team took it under consideration and elected to proceed 1 in current form.</i>
	2	58 Using Prutcom rules, this s/b To Be Determined ("TBD")	Audit Results Reporting and Resolution, Closing Meeting pt 2, Pg 13		<i>Drafting Team updated.</i>
	2	59 Insert the word "and" before exceptions	Audit Results Reporting and Resolution, Audit Report pt 2, Pg 13		<i>Drafting Team updated.</i>
	2	60 Change word riskd to risks	Audit Results Reporting and Resolution, Audit Report pt 3, Pg 13		<i>The word is spelled correctly in the draft 2 distribution copy, no 7 updated needed.</i>
	2	61 Vendor not a defined term, therefore lower case	Audit Results Reporting and Resolution, Audit Resolution pt 1, Pg 14		<i>Drafting Team updated.</i>
Exhibits					
	2	Cover letter exhibit - II - Operating Company - not used throughout the document - should use "company" and not "Operator" and 62 "Vendor"/"contractor". Check entire document for consistency.	Exhibit 2, Pg 17		<i>Drafting Team took it under consideration and elected to proceed 6 in current form.</i>
	2	63 Would add parentheses around this reference	Exhibit 2, Pg 17		<i>No update made. Requested Professional Editor review for 7 accuracy.</i>
	2	64 Extra page between Exhibit 2 and 3 needs to be deleted.	Pg 18		<i>Drafting Team updated.</i>
	2	65 "Company Inc." - drop the "Inc." - not used anywhere else throughout. On this page & the next it seems it should say either 1) company Inc's 66 employees (plural) or 2) company inc. employee (singular)	Exhibit 6, Pg 22		<i>Drafting Team took it under consideration and elected to proceed 6 in current form.</i>
	2		Exhibit 6 pt 5 through 11, Pg 22-23		<i>Drafting Team updated.</i>
General Comments					
	1	67 Cover page: Change COPAS copyright to 2026			<i>Drafting Team updated.</i>
	1	68 Throughout document added space to comply with 2 space "rule" between sentences in COPAS Style Guide.	Throughout – see attached edits using Clean copy Dominant pages: 5, 9, 10, 13		<i>Drafting Team updated.</i>



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