LOUISIANA DEPARTMENT OF CONSERVATION AND ENERGY

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued September 2, 2026

LOUISIANA LEGISLATIVE AUDITOR

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Louisiana Legislative Auditor
Michael J. "Mike" Waguespack, CPA

Louisiana Department of Conservation and Energy

September 2026

Audit Control # 80260029

Introduction

The primary purpose of our procedures at the Louisiana Department of Conservation and Energy (C&E) was to evaluate certain controls C&E uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated C&E's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of C&E's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to the LaCarte purchasing program, movable property, royalty revenue reconciliations, field audit selection process for royalty revenues, and the Natural Resources Trust Authority.

Based on the results of these procedures, we reported a finding related to Weaknesses in Controls over Movable Property, as described in the Current-Report Finding section of the report.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in C&E's procedural report dated January 15, 2025. We determined that management has resolved the prior-report finding related to Inadequate Controls over LaCarte Purchasing Program.

Current-report Finding

Weaknesses in Controls over Movable Property

C&E employees did not ensure that all purchases of movable property were properly tagged and accurately recorded in the state property system in accordance with C&E's movable property policy. Failure to comply with C&E movable property policy could result in inaccurate financial reporting and increases the risk that assets may be misreported, lost, or stolen.

Our procedures over movable property disclosed the following:

- In a test of 24 assets acquired between July 1, 2024, and March 20, 2026, 13 of the assets (54%) totaling $181,299 did not have complete and/or accurate information, such as the functional location and asset description, recorded in the state property system. In an expanded review of 93 asset records, 59 additional assets (63%) did not have complete and/or accurate information recorded in the state property system.

- In a test of on-site inspections for completeness of the state property system of record, we noted three assets out of seven (43%) were not tagged. Of these three assets, one was not recorded in the state property system.

- In a review of property records for nine assets with high cost or information documented in the system that appeared unusual to C&E as of March 20, 2026, two had duplicate serial numbers and two others had inaccurate/missing information related to the acquisition cost, original cost, and/or acquisition date.

C&E management failed to ensure C&E personnel followed established policies and procedures. C&E movable property policy requires that all movable property with a cost of $1,000 or more and all computers, monitors, and laptops are to be tagged with a property tag and have the appropriate property records created in the state property system. When the location (room, office, cubicle, etc.) or person responsible for tagged property changes, the Property Liaison is to submit a Transfer Form to the Property Manager for the information in the state property system to be updated.

C&E management should provide oversight to ensure movable property records are accurate and complete, including the correct location, acquisition costs, and asset descriptions. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Trend Analysis

We compared the most current and prior-year financial activity using C&E Annual Fiscal Reports and/or system-generated reports and obtained explanations from C&E's management for any significant variances.

Other Reports

On June 17, 2026, a report was issued by Louisiana Legislative Auditor's Investigative Audit Services. The report details possible violations of state law by the department's former Office of Conservation leadership, the Louisiana Oilfield Restoration Association, Inc., and other related entities. This report is available on the LLA website.

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

JDS:EBT:BH:BQD:aa

C&E2026

APPENDIX A: MANAGEMENT'S RESPONSE

JEFF LANDRY
GOVERNOR

DUSTIN H. DAVIDSON
SECRETARY

DEPARTMENT OF CONSERVATION AND ENERGY

August 12, 2026

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

This letter serves as our response to the audit finding entitled "Weaknesses in Controls over Movable Property." We appreciate the opportunity to provide our response and have carefully reviewed the finding outlined in the audit report. Below, we outline our position on the finding, corrective actions taken, and the plan moving forward.

We concur with the audit finding, have corrected the exceptions identified and are initiating efforts to prevent recurrence of such issues in the future. During the audit period, the Department of Conservation and Energy (C&E) was undergoing an agency reorganization that involved the relocation and repurposing of employees and equipment throughout the Department. As a result of the volume of property being moved and reassigned, there were difficulties in ensuring property record updates maintained pace with the numerous ongoing organizational changes to reflect current locations, custodians, and other asset information.

Additionally, the auditors' property review occurred while C&E was in the process of conducting its annual physical inventory, intended to detect and correct exactly these kinds of concerns. The physical inventory is an important internal control used by the Department to identify issues involving property locations, assignments, tagging, and information recorded in the state property system. At the time of the auditor's review, the physical inventory had not yet been completed.

C&E has since completed its review and all issues identified in the finding have been corrected. Property records have been updated as necessary and equipment requiring property tags has been properly tagged and recorded in the state property system. All equipment has been accounted for and no equipment identified as part of this finding is missing.

Corrective action for the specific exceptions identified during the audit has been completed. C&E has corrected the applicable property records and tagging issues identified during the review.

Going forward, management will strengthen oversight to ensure that changes resulting from employee relocations, equipment transfers, or reassignments are timely communicated to property personnel and accurately reflected in the state property system. C&E will also continue to use the physical inventory to identify and correct property record issues and will reinforce existing property procedures with employees responsible for movable property.

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Contact Person Responsible for Corrective Action:
Andre Richard, Administrative Program Director

Corrective Action Status: Completed

Completion Date: August 7, 2026

C&E is committed to maintaining accurate and complete movable property records and will continue to strengthen its oversight and internal controls to ensure compliance with established property policies and procedures.

Should you have any questions regarding this response or the corrective actions described above, please contact Andre Richard, Administrative Program Director, at 225-342-2953 or via email Andre.Richard3@la.gov.

Sincerely,

Mark Normand, Jr. Digitally signed by Mark Normand, Jr.
Date: 2026.08.19 14:22:33 -05'00'

Mark Normand, Jr.
Undersecretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Department of Conservation and Energy (C&E) for the period from July 1, 2024, through June 30, 2026. Our objective was to evaluate certain controls C&E uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the C&E's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The C&E's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated C&E's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to C&E.

- Based on the documentation of C&E's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to the LaCarte purchasing program, movable property, royalty revenue reconciliations, field audit selection process for royalty revenues, and the Natural Resources Trust Authority.

- We compared the most current and prior-year financial activity using C&E's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from C&E's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at C&E, and not to provide an opinion on the effectiveness of C&E's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.