

DEPARTMENT OF ENERGY AND NATURAL RESOURCES

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued January 15, 2025**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of Energy and Natural Resources



January 2025

Audit Control # 80240024

Introduction

The primary purpose of our procedures at the Department of Energy and Natural Resources (DENR) was to evaluate certain controls DENR 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 DENR'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 DENR'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 card (P-Card) and Controlled Billed Account (CBA) transactions, Oilfield Site Restoration (OSR) contracts, Class VI Carbon Sequestration Program, and LaGov User Access.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in DENR's procedural report dated May 1, 2023. We determined that management has resolved the prior-report finding related to Incomplete Continuity of Operations Planning.

Current-report Finding

Inadequate Controls over LaCarte Purchasing Program

DENR did not adequately complete enrollment, account change, and deletion forms for applicable cardholders, nor timely deactivate P-Card/CBA card access for individuals upon role change or separation of employment. Also, cardholders failed to notify a program administrator within 48 hours of a declined transaction. Failure to adequately complete applicable enrollment, account change, and deletion forms;

timely deactivate an employee's P-Card/CBA card upon change of role or separation of employment; and timely notify program administrators of declined transactions increases the risk of unauthorized use.

The following was noted for the period of July 1, 2022, through March 6, 2024:

- Four of 19 (21%) enrollment forms processed were not properly completed, including the lack of appropriate approval signatures.
- Ten of 21 (48%) deletion forms for individuals terminating or no longer participating in the LaCarte purchasing program were not properly completed, including obtaining appropriate approval signatures. In addition, account access was not terminated timely for 14 (67%) of the 21 individuals, ranging from 3 to 206 days following a role change or separation of employment.
- In a review of five P-Card and CBA Card transactions of more than \$5,000, three (60%) did not have a properly completed account change form, including the lack of appropriate approval signatures.
- In a review of 37 P-Card and CBA Card declined transactions, there were 23 (62%) instances where the employee failed to notify a program administrator within 48 hours of a declined transaction.

DENR has not developed effective internal controls to ensure compliance with all LaCarte purchasing program policies. DENR policies require the signatures of approvers and program administrators on applicable enrollment, account change, and deletion forms. The responsible parties are then required to authorize or revoke employee P-Card/CBA card access. Good internal controls require access to purchasing functions be deactivated immediately upon role change or separation of employment. DENR policy also requires the Cardholder/CBA Accountholder to notify the DENR Fiscal P-Card Administrator within 48 hours of a declined purchase.

DENR should enforce its established policies and procedures to ensure all documentation is properly completed, access is terminated immediately upon role change or separation from employment, and declined purchases are adequately communicated. Management concurred with the finding and provided a corrective action plan (see Appendix A).

LaCarte Purchasing Card and Controlled Billed Account Transactions

DENR participates in the state of Louisiana's LaCarte purchasing card (P-Card) and Controlled Billed Account (CBA) programs for general office supplies and administrative expenses. We obtained an understanding of DENR's controls over the access to and use of these cards.

We analyzed LaCarte card transaction listings for the period of July 1, 2022, through March 6, 2024, and reviewed selected transactions. Based upon the results of our procedures, except as noted in the Current-report Finding section, DENR had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Oilfield Site Restoration Contracts

DENR administers the Oilfield Site Restoration (OSR) program through its Office of Conservation to help address the state's orphaned oil and gas well population. The activities of the program are bid out to oilfield contractors. We obtained an understanding of DENR's controls over OSR contract procurements and reviewed supporting documentation for related expenditures. Based on the results of our procedures for the period of July 1, 2022, through March 26, 2024, for contract expenditures and through April 9, 2024, for contracts procured, DENR had adequate controls to ensure contracts were procured in accordance with applicable laws, regulations, and DENR policies; and related expenditures had adequate supporting documentation, were properly approved, and were paid in accordance with contract terms.

Class VI Carbon Sequestration Program

Pursuant to Revised Statute 30:209(4), DENR has entered into operating agreements whereby DENR receives a share of revenues from the storage of carbon dioxide. Class VI injection wells are used for the storage of carbon dioxide. On February 5, 2024, DENR received primacy (permitting authority) from the Environmental Protection Agency for applications for Class VI injection wells located in Louisiana. We obtained an understanding of DENR's processes for receiving and approving permit applications and obtained the policies and procedures relating to the Class VI Carbon Sequestration Program. We also tested the lease payments collected for the period of July 1, 2022, through April 18, 2024, for operating agreements to ensure that the funds collected were being allocated properly to the specified parties. Based on the results of our procedures, we determined that controls are in place at DENR to ensure proper approval of permit applications and that lease payments were properly allocated.

LaGov User Access

We performed procedures to determine whether access to LaGov was restricted to business-need only and properly assigned to ensure adequate segregation of duties. We also performed procedures to determine whether access was removed timely for terminated employees. Based on the results of our procedures, DENR had adequate controls in place to ensure access was properly restricted and assigned to ensure

adequate segregation of duties. In addition, DENR had adequate controls in place to ensure terminated employees' access was removed in a timely manner.

Trend Analysis

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

Other Reports

On October 24, 2024, a report was issued by Louisiana Legislative Auditor's Performance Audit Services (PAS) on DENR, Office of Conservation's oversight of the Louisiana Oilfield Restoration Association.

Also, on October 24, 2024, a report was issued by Louisiana Legislative Auditor's PAS providing the results of its evaluation of DENR, Office of Conservation's progress in addressing issues identified in two previous PAS audits that focused on the regulation of oil and gas wells and the management of orphaned wells.

These reports are available on the Louisiana Legislative Auditor's 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:ch

DENR2024

APPENDIX A: MANAGEMENT'S RESPONSE

TYLER PATRICK GRAY
SECRETARY

DUSTIN H. DAVIDSON
DEPUTY SECRETARY



MARK NORMAND, JR.
UNDERSECRETARY

MANNY ACOSTA
OIL SPILL COORDINATOR

KEITH O. LOVELL
ASSISTANT SECRETARY
COASTAL MANAGEMENT

AMANDA MCCLINTON
ASSISTANT SECRETARY
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ANDREW B. YOUNG
ASSISTANT SECRETARY
MINERAL RESOURCES

STEVEN M. GIAMBRONE
INTERIM DIRECTOR
CONSERVATION

DEPARTMENT OF ENERGY AND NATURAL RESOURCES

November 25, 2024

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 "Inadequate Controls over LaCarte Purchasing Program." We appreciate the opportunity to provide our response and have carefully reviewed the findings 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. Specifically, we acknowledge the concerns raised regarding the completion of enrollment forms, account deletions, account change forms, and the timely notification of declined transactions. The audit identified gaps in the approval process, incomplete documentation, delays in terminating account access, and failure to promptly notify the program administrator regarding declined transactions. These issues are of concern, and we agree that corrective actions were necessary to strengthen the controls over the LaCarte Purchasing Program.

Since the audit findings were brought to our attention, we have taken the following corrective actions to address the issues identified. These corrective actions have been fully implemented as of November 1, 2024 and are now part of our regular process for managing the LaCarte Purchasing Program.

- **Contact Person(s) Responsible for Corrective Action:**
 - Susan Broadway, Program Administrator, is responsible for overseeing the implementation of corrective actions and ensuring compliance with the updated procedures.

Corrective Actions Implemented:

- **Lack of appropriate approval signatures on enrollment forms:**
The Accountant 4 will ensure enrollment forms are submitted with the appropriate signatures before forwarding to the Program Administrator. After the Program Administrator processes the request, he/she will forward the signed request to the Accountant 4 for verification of all required approval signatures before saving the document in the appropriate folder.
- **Account Deletions:**
Human Resources will notify Admin Services when an employee separates from DENR. Upon receiving the deletion request, the Accountant 4 will delete the account. The Program Administrator will then verify the deletion and complete the necessary documentation. The deletion documentation will be saved in the appropriate folder.
- **Account change forms:**
The Accountant 4 will ensure the account change forms are submitted with the appropriate signatures before forwarding them to the Program Administrator. The Accountant 4 will process the request and forward the form to the Program Administrator, who will verify the requested changes were made. After the Program Administrator verifies the change, he/she will sign the form and return it to the Accountant 4 for verification of all required approval signatures before saving the document in the appropriate folder.
- **Card Declines:**
We have updated our policy to remove the 48-hour notification requirement. Going forward, card declines will be reviewed monthly as part of the regular P-card review process. Previously, some card declines occurred without the cardholders being notified, particularly when there were minor input errors such as incorrect expiration dates. As part of our new process, if a decline is noted in the monthly review of the Card Decline report, the Program Administrator will contact the cardholder by email to request an explanation. The email correspondence will be documented and saved in the appropriate folder.

We believe the corrective actions outlined above effectively address the audit finding and ensure the LaCarte Purchasing Program's controls are compliant.

If you have questions or need further information, please do not hesitate to contact Susan Broadway, Accountant Manager 2, at 225-342-9160 or via email Susan.Broadway2@la.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mark Normand, Jr.', with a horizontal line extending to the right.

Mark Normand, Jr.
Undersecretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Energy and Natural Resources (DENR) for the period from July 1, 2022, through June 30, 2024. Our objective was to evaluate certain controls DENR 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 DENR's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The DENR's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated DENR'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 DENR.
- Based on the documentation of DENR's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to the LaCarte purchasing card and Controlled Billed Account transactions, Oilfield Site Restoration contracts, Class VI Carbon Sequestration Program, and LaGov User Access.
- We compared the most current and prior-year financial activity using DENR's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DENR'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 DENR, and not to provide an opinion on the effectiveness of DENR'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.