



Report Highlights

Department of Natural Resources

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Why We Conducted This Audit

We conducted certain procedures at the Department of Natural Resources (DNR) as part of the Single Audit of the State of Louisiana and to evaluate DNR's accountability over public funds for the fiscal year ended June 30, 2012.

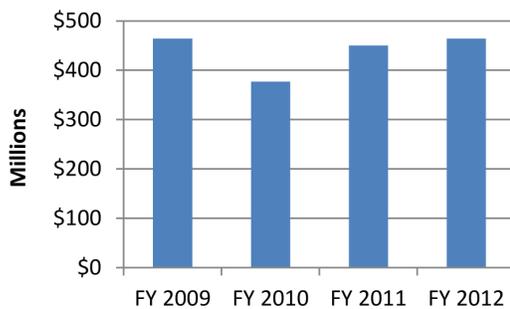
What We Found

We tested controls, compliance with laws, and financial reporting relating to royalty revenues as part of the audit of the state's financial statements. We also tested internal control and compliance with requirements for the federal State Energy Program. Our procedures disclosed the following:

- For the second consecutive year, DNR violated federal regulations by charging office rent totaling \$68,721 directly to the State Energy Program while also including a portion of the office rent in the federal indirect cost pool. These costs may need to be returned to the federal grantor.
- The Office of Conservation did not obtain survey plats for all oil and gas producing units as required by the Louisiana Administrative Code, which increases the risk that producing units will not be surveyed and landowners or interested parties' participation in those units will not be properly established for the accurate distribution of royalty payments.

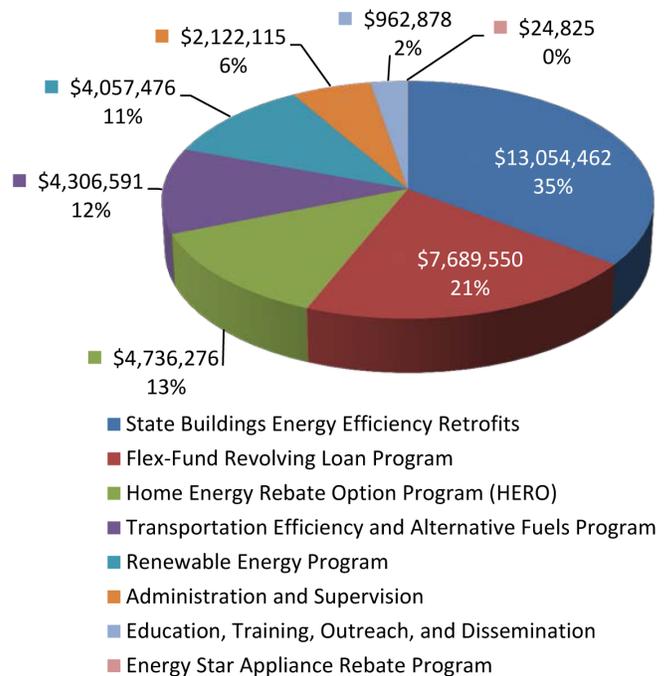
Royalty Revenues, by Fiscal Year

Source: FY 2009-2012 DNR Annual Fiscal Reports, as adjusted



Fluctuations in royalty revenues are primarily attributed to changes in oil and gas prices and production levels, as well as natural disaster occurrences, such as hurricanes and oil spills.

ARRA State Energy Program CFDA 81.041 Fiscal Year 2012 Expenditures



Source: 2012 Schedule of Expenditures of Federal Awards and ISIS Data

We noted above that 35% of grant expenditures were expended on State Buildings Energy Efficiency Retrofits for energy efficient projects in state buildings and 21% were expended on the Flex-Fund Revolving Loan Program to provide low-interest loans to qualifying Louisiana entities for commercial and industrial energy efficiency projects.