

DEPARTMENT OF NATURAL RESOURCES

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued May 1, 2023

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of Natural Resources



May 2023

Audit Control # 80220034

Introduction

The primary purpose of our procedures at the Department of Natural Resources (DNR) was to evaluate certain controls DNR 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 DNR'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 DNR's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to information technology (IT) controls, payroll and personnel, and penalty assessments.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report findings in DNR's procedural report dated September 16, 2020. The prior-report finding related to Weaknesses in Management of DNR System has been partially resolved and is addressed again in this report.

Current-report Finding

Incomplete Continuity of Operations Planning

For the second consecutive engagement, DNR did not effectively coordinate with the Office of Technology Services (OTS) to have adequate Continuity of Operations Planning (COOP) for each of its offices. Although DNR has improved its existing plans since last engagement, the plans still lacked complete information in the following areas:

- A rating for the importance of each process to DNR's operations
- Accurate locations for offsite recovery
- Identification of records vital for restoration
- The critical assets and resources for performing all procedures necessary for recovery
- A maintenance and test schedule
- Recovery time and recovery point objectives

Furthermore, although DNR states that it prepares by meeting about the plans' anticipated execution, there is no recent documented evidence of its testing. Additionally, older documentation indicates that the emphasis of its meetings is on hurricane preparedness but not on other emergency events. Inadequate documentation and testing may lead to unsuccessful plan execution should an unexpected incident occur.

We evaluated system controls based on best practices, as defined by *Control Objectives for Information and Related Technology* (COBIT), a framework by the Information Systems Audit and Control Association (ISACA).

DNR should complete its plans to include any missing information and coordinate with OTS to ensure annual testing of each plan with adequate documentation of the testing. Management did not concur with the finding, citing OTS' responsibilities under Act 712 of the 2014 Regular Session, the existence of the OTS Data Center Operations plan, and LLA's inability to provide other agency plans that comply with ISACA's COBIT criteria (see Appendix A).

Additional Comments: Executive Order JBE 2022-2 addresses individual department emergency operations plans and "shall be binding on all departments, commissions, boards, agencies, organizations, and employees of the State of Louisiana." According to the order, each agency head shall designate "a Continuity of Operations Plan (COOP) coordinator who will prepare and maintain plans, procedures, arrangements, and agreements to ensure that the organization will continue to carry out its mission in an emergency or disaster." This language directs DNR to develop and maintain its own documentation surrounding its COOP, including its development, maintenance, and testing. This order addresses business continuity and related planning as DNR's responsibility, not OTS's responsibility.

Instead, DNR cites Act 712 of the 2014 Regular Session, which created the OTS, and states that OTS is in complete control over DNR's IT assets and is responsible for DNR's recovery. Although Act 712 establishes OTS's role in maintaining its lines of service during a disaster, OTS is not solely responsible for all disaster recovery functions of the agencies it serves. Consistent with the executive order, each agency, including DNR, is responsible for developing its own plans and coordinating its recovery efforts with the OTS Data Center Operations plan as necessary. Additionally, DNR's critical assets do not only include the IT assets under OTS control.

These assets also include the workspace, personnel, and office supplies necessary to continue DNR's ordinary business operations.

LLA auditors met with DNR multiple times to explain our recommendations in detail and shared ISACA's best practice criteria for evaluating business continuity planning. Because providing other agency plans would violate audit confidentiality, we recommended seeking guidance from OTS, who has knowledge of these plans.

IT Controls

DNR uses SONRIS in carrying out various activities of the department, such as recording state mineral lease information and calculating the related royalty payments. We performed procedures to follow-up on the prior-report finding related to SONRIS, including application change controls, user access, and security controls related to its continuity of operations plan and data backups. Based upon results of our procedures, except as noted in the Current-report Finding section, the IT controls we reviewed were in place and operating effectively.

Payroll and Personnel

Salaries and related benefits comprise approximately 63% and 61% of DNR's expenditures in fiscal years 2021 and 2022, respectively. We obtained an understanding of DNR's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, DNR had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

Penalty Assessments

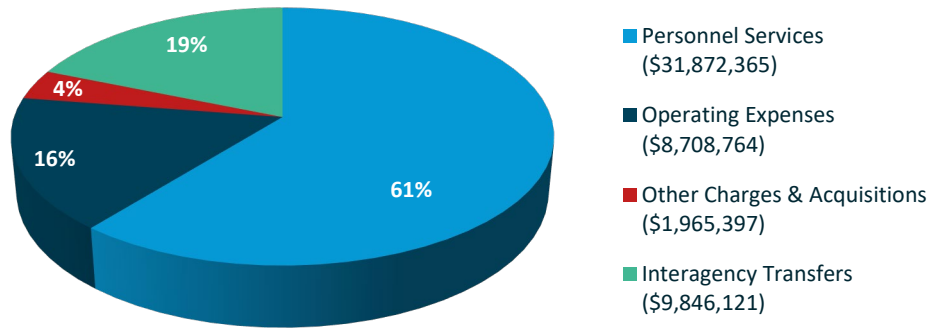
We obtained an understanding of civil penalties assessed and waived by the Office of Conservation (OOC). We reviewed selected penalties assessed to ensure OOC was taking timely action against noncompliant operators. Based upon the results of our procedures, OOC is timely assessing penalties in accordance with OOC policy.

Trend Analysis

We compared the most current and prior-year financial activity using system-generated reports and obtained explanations from DNR's management for any significant variances.

We also prepared an analysis of expenditures by category for fiscal year 2022 which totaled \$52.4 million, with 61% of those expenditures related to personnel services.

Fiscal Year 2022 Expenditures
Total - \$52,392,647



Source: Prepared by legislative auditor’s staff using system-generated reports

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

EBT:BQD:EFS:aa

DNR2022

APPENDIX A: MANAGEMENT'S RESPONSE



State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE SECRETARY

April 3, 2023

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

RE: Incomplete Continuity of Operations Planning

DNR does not concur with the finding that it does not have an adequate COOP for each of its offices for the second consecutive year. While DNR agrees that the legislative auditors have identified the critical assets needed for disaster recovery, Act 712 has granted OTS sole autonomy over the executive branch agencies' information technology. Act 712 of the 2014 Regular Session created OTS to provide information technology systems and services for all agencies in the executive branch of state government. §15.3 of Act 712 states that "...the office of technology services shall, subject to the provisions of this Subpart, have sole authority and responsibility for defining the specific information technology systems and information technology services to which the provisions of this Subpart shall be applicable. Information technology systems, including equipment and related services..." The Memorandum of Understanding and Service Level Processing Agreement between the Louisiana Division of Administration Office of Technology Services (DOA OTS) and Louisiana Department of Natural Resources states that "*DOA OTS shall provide IT services for and on behalf of DNR. The types of services provided are comprehensive and may include, but are not limited to: data center facilities and operations, application hosting, cloud services, end user computing, network services, service/help desk, application development and support, data management and support, system administration, data and system backup, information security..., disaster recovery....*"

As such, OTS controls and directs resource allocations to achieve economies of scale, such as placing the agencies' assets on shared platforms and telephone systems. It would be difficult for DNR to understand and differentiate between the shared technologies. DNR transferred fifty (50) positions [50 Authorized (Appropriated) Table of Organization Full Time Equivalent (T.O. FTEs)] to the Office of Technology Services in FY2014-2015 when OTS was created through

Mr. Michael J. "Mike" Waguespack, CPA

April 3, 2023

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Act 712. DNR currently does not have any staff hired for information technology expertise and therefore does not have the specialized knowledge to monitor OTS change procedure, SONRIS programming code changes, or any other systems changes.

OTS does meet with DNR yearly to identify a list of critical applications that are specific to DNR. This list of application is referred to as the Business Impact Analysis or BIAs, with an order of recovery importance. OTS consults with the appropriate DNR staff on a yearly basis to update this list. DNR consulted with the Division of Administration (DOA) and understands that DOA is developing a COOP template for all the executive departments to use.

Since OTS provides information technology to the executive departments, the legislative auditor's office should accept OTS' Data Center Operations (DCO) plan, which addresses the services it provides to state agencies after a disaster, as the executive agencies' (i.e., DNR's) COOP. If the legislative auditors feel that DNR needs to have a Disaster Recovery Plan for OTS to follow in combination with OTS's DCO when restoring DNR's operations, the legislative auditor's office needs to be willing to share with DNR a state agency's COOP plan that meets the ***Control Objectives for Information and Related Technology***, a framework by the Information Systems Audit and Control Association (ISACA). The legislative auditor's office has refused the numerous requests by DNR for an example of a COOP it feels meets ISACA's framework.

If you need to discuss this issue further, please contact Ha Louis, Internal Auditor, at (225) 342-6768 or ha.louis@la.gov.

Thank you for the opportunity to respond to this audit finding and have the Management Response Letter included in the final audit report. Please feel free to contact me at (225) 342-2710 should you have any questions.

Sincerely,



Thomas F. Harris
Secretary
Department of Natural Resources

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Natural Resources (DNR) for the period from July 1, 2020, through June 30, 2022. Our objective was to evaluate certain controls DNR 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 DNR's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The DNR's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated DNR'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 DNR.
- Based on the documentation of DNR's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to IT controls, payroll and personnel, and penalty assessments.
- We compared the most current and prior-year financial activity using DNR's system-generated reports to identify trends and obtained explanations from DNR'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 DNR and not to provide an opinion on the effectiveness of DNR'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.