

**ARKANSAS LEGISLATIVE AUDIT  
REPORT ON:  
DEPARTMENT OF ENERGY AND ENVIRONMENT  
FOR THE YEAR ENDED JUNE 30, 2022**

**Finding 1:**

As allowed by Ark. Code Ann. § 21-5-106, state employees with 10 or more years of service are eligible for an annual career service recognition payment based upon their total years of service. The Department recently discovered that the career service date field in AASIS was not updated when an employee was hired after a break in service. As a result, the employee was overpaid for career service recognition payments by a total of \$3,000 from 2015 through 2022. Upon notification of the overpayments, the employee immediately reimbursed the Department.

**Recommendation:**

We recommend the Agency strengthen internal controls to ensure that AASIS personnel records are properly updated.

**Agency Response:**

In response to this issue, E&E [Department of Energy and Environment] has corrected the career service date discrepancy for the former employee and has received full reimbursement from the former employee. E&E investigated the issue and determined that the issue occurred as a result of a data entry error in 2015. Since the data entry error occurred, E&E has significantly centralized personnel processes and implemented measures to prevent this type of error in the future. E&E has begun an internal investigation to identify any further discrepancies in career service dates.

**Finding 2:**

Arkansas State Board of Finance Rule 2012-A states that collateralization is necessary when an agency deposits cash funds with a bank or financial institution in excess of current FDIC coverage, and the total fair value of the pledged collateral shall be at least equal to 105% of the total amount of cash funds on deposit with a bank or financial institution that is in excess of current FDIC insurance coverage. The Agency was unable to provide evidence of collateral pledged for its two accounts held at Arvest Bank. As a result, we were unable to verify that the Agency had sufficient collateral pledged on \$1.02 million of deposits not covered by FDIC.

**Recommendation:**

We recommend the Agency comply with Arkansas State Board of Finance Rule 2012-A and maintain evidence of such compliance.

**Agency Response:**

This issue has been corrected, and E&E is in compliance with Arkansas State Board of Finance Rule 2012-A.

**Finding 3:**

The Arkansas Geological Survey warehouse was burglarized on July 19, 2021, and July 23, 2021. During these burglaries, a riding lawn mower, which was included on the Agency's fixed asset listing, and numerous non-capitalized items were stolen. Law enforcement was notified, but the Agency did not request that the stolen property be removed from the fixed asset listing, as required by section P2-19-4-1503 of the State of Arkansas Financial Management Guide, until inquiries were made by the auditor.

**Recommendation:**

We recommend the Department strengthen controls related to fixed assets and comply with requirements of the Financial Management Guide so that financial records are updated properly and timely.

**Agency Response:**

The Office of State Geologist (formerly Arkansas Geological Survey) was incorporated into E&E's Oil and Gas Commission in August 2023. E&E is in the process of incorporating the Office of State Geologist into its department-wide asset management protocol. As a part of that protocol, E&E will conduct regular internal asset inventory audits, handle the coordination of asset disposal and retirement, and facilitate accurate record keeping of E&E's inventory moving forward.