



# OKLAHOMA ENERGY RESOURCES BOARD

Operational Audit

For the period July 1, 2021 through June 30, 2022

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
Oklahoma Energy Resources Board**

**For the Period  
July 1, 2021 through June 30, 2022**



May 3, 2023

**TO THE OKLAHOMA ENERGY RESOURCES BOARD**

We present the audit report of the Oklahoma Energy Resources Board for the period July 1, 2021 through June 30, 2022. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads 'Cindy Byrd'.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**Background**

The Oklahoma Energy Resources Board (OERB or the Agency) was created by the Oklahoma Legislature in 1993 to conduct environmental restoration for orphaned and abandoned well sites and to educate Oklahomans about energy. OERB is funded voluntarily by oil and natural gas producers and royalty owners through a one-tenth of one percent assessment on the sale of oil and natural gas.

The mission of the OERB is to “use the strength of Oklahoma’s greatest industry to improve the lives of all Oklahomans through education and restoration.”

Oversight is provided by an unpaid, twenty-one-member board (the Board). Representation is divided between independent oil and natural gas companies, major oil and natural gas companies, petroleum purchasers, and royalty owners.

There are four vacant Board member positions. Board members as of April 2022 are:

David Le Norman .....	Chairman
Kristin Thomas .....	Vice Chairman
Shilpa Abbitt .....	Secretary
David Ferris .....	Treasurer
Mike McDonald.....	Member
Pete Brown.....	Member
Joe Brevetti.....	Member
Christopher Hyde .....	Member
Samantha Omey .....	Member
Aaron Ketter .....	Member
Ty Peck .....	Member
Greg Shepherd.....	Member
Richard Lewis.....	Member
John Pilkington.....	Member
David Sikes .....	Member
Heather Powell.....	Member
David Little .....	Member

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The following table summarizes the Agency's sources and uses of funds for fiscal years 2021 and 2022 (July 1, 2020 through June 30, 2022).

**Sources and Uses of Funds for FY 2021 and FY 2022**

	2021	2022
<b>Sources:</b>		
Energy Resources Assessment	\$ 11,671,466	\$ 23,156,147
SOER Fee	867,781	858,436
Other Non-Revenue Receipts	414,765	379,279
Interest on Investments	322,784	260,761
<b>Total Sources</b>	<b>\$ 13,276,796</b>	<b>\$ 24,654,623</b>
<b>Uses:</b>		
Professional Services	\$ 10,102,163	\$ 14,636,716
Assistance, Payments to Local Govn'ts	1,234,728	2,650,683
Administrative Expenses	83,421	559,681
Property, Furniture, Equipment	17,500	39,635
<b>Total Uses</b>	<b>\$ 11,437,812</b>	<b>\$ 17,886,715</b>

*Source: Oklahoma statewide accounting system (unaudited, for informational purposes only)*

**Scope and  
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector’s office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state, and to 52 O.S. § 288.5.9, which subjects OERB’s financial records to an annual, independent audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period July 1, 2021 through June 30, 2022. To assess risk and develop our audit objective, we held discussions with management, distributed surveys to the Agency’s personnel, and performed data analysis. These procedures included:

- Reviewing revenue and expenditure data from the State Accounting System and gathering information from Agency personnel to assess the related financial processes and trends for any notable risks
- Assessing the risk related to production refunds in statutes 52 O.S. § 288.5E and 52 O.S. § 288.9A
- Reviewing Board meeting minutes to gain an understanding of the Board’s and management’s processes for approving expenditures and working with their main contract vendors
- Reviewing evidence of the Board’s active role in budgeting and other financial processes

One objective related to expenditures was developed as a result of the procedures performed, as discussed in the next section. No other significant risks or findings were identified.

We utilized sampling of transactions to achieve our objective. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

### Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*<sup>1</sup> outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

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<sup>1</sup> *Standards for Internal Control in the Federal Government*, or the “Green Book,” sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

**OBJECTIVE** Determine whether the Agency's non-payroll expenditures were reviewed and approved in line with Government Accountability Office *Standards for Internal Control*.

**Conclusion** The Agency's non-payroll expenditures were reviewed and approved in line with Government Accountability Office *Standards for Internal Control*.

**Scope and Methodology**

To accomplish our objective, we performed the following:

- Documented our understanding of the expenditure processes. Evaluated those processes and identified significant internal controls related to expenditures.
- Performed testwork to ensure those controls were in line with GAO *Standards* and operating effectively: reviewed the monthly reconciliation report packets for three randomly selected months from the audit period (25% of 12 months) to ensure they were approved by the Director and sent to the Board Secretary for additional review.
- In addition to that testwork, we reviewed
  - Nine contract expenditures, three each chosen haphazardly from the same three months selected above, to ensure the expenditures paid were approved by the Director and allowable per the applicable vendor contracts.
  - Three assessment refund expenditures from the audit period to ensure the refunds paid were approved by the Director.

No findings were identified as a result of these procedures.



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S·A·I  
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