

EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED APRIL 19, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 4, 2006

HONORABLE KATHLEEN B. BLANCO, GOVERNOR
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2005, we considered the Executive Department's internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Reports of the Executive Department are not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The department's accounts are an integral part of the State of Louisiana financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Executive Department for the year ended June 30, 2004, we reported a finding relating to the internal audit function. The finding has not been resolved by management and is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2005.

Ineffective Internal Audit Function

As noted in previous audits, the Executive Department does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate compliance with the policies and procedures that comprise controls. Act 1 of the 2004 Regular Session of the Louisiana Legislature requires agencies with budgets in excess of \$30 million to use existing program resources and the table of organization to establish an internal auditor position.

Considering the size of the department's reported assets (\$626,073,952) and revenues (\$602,896,702), an effective internal audit function is important to ensure the department's assets are safeguarded and the department's policies and procedures are uniformly applied.

The Executive Department should establish an internal audit function to provide assurance that assets are safeguarded and to ensure that management's policies and procedures are applied in accordance with management's intentions. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendation, its implementation costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action. The funding, which relates to the department's compliance with applicable laws and regulations, should be addressed immediately by management.

This letter is intended for the information and use of the department and its management and is not intended to be and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

CR:BQD:THC:dl

EXEC05

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



Kathleen Babineaux Blanco
GOVERNOR

State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

Jerry Luke LeBlanc
COMMISSIONER OF ADMINISTRATION

April 3, 2006

Steve J. Theriot
Louisiana Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70802

Re: February 14, 2006 Audit Comment - Lack of Internal Audit Function in the Executive Department

Dear Mr. Theriot:

We concur with the finding on the lack of an internal audit function within the Executive Department. As we discussed last year, funding for this activity was requested in the 2005-2006 budget submission.

We received funding in Fiscal Year 2005-2006 to establish three internal audit positions, but were forced to freeze these vacant positions following the budgetary uncertainties caused by hurricanes Katrina and Rita. The recruitment for one internal auditor will begin within the next few weeks, but we remain concerned that civil service pay grade scales and the limited pool of qualified applicants may impact our hiring timeline. My office will be responsible for the hiring process and it is anticipated that this will be complete prior to the end of the current fiscal year.

Sincerely,

Jerry Luke LeBlanc
Commissioner of Administration

JLL/rf