

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana State Employees' Retirement System

Quality Control Review Report

For the Period June 1, 2000,
through May 31, 2001



Quality Assurance Review Report

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

Legislative Auditor
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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

June 26, 2001

Louisiana State Employees' Retirement System
8401 United Plaza Boulevard
Post Office Box 44213
Baton Rouge, Louisiana 70804-4213

We have reviewed the system of quality control for the internal auditing department (department) of the Louisiana State Employees' Retirement System. The purpose of our review was to obtain reasonable assurance of the department's compliance with the *Standards for Professional Practice of Internal Auditing (Standards)*. This review included audit reports issued from June 1, 2000, through May 31, 2001. We conducted our review by using the guidance of the Institute of Internal Auditors' *Quality Assurance Review Manual*.

In performing our review, we considered the general characteristics of a quality assurance program to evaluate the operations of the department. Such a program should provide reasonable assurance that internal auditing work conforms with the *Standards*, the department's charter, and other department policies. Because individual performance can vary in any audit organization, adherence to all policies and procedures may not be possible in every case. However, adherence to prescribed policies and procedures is expected in most situations.

In our opinion, the department's system of quality control for audits issued from June 1, 2000, through May 31, 2001, was operating effectively and provided reasonable assurance of compliance with the *Standards*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK:GLM:lnl

{Lasersreport}



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LEGISLATIVE AUDITOR

June 26, 2001

Ms. Glenda T. Chambers, Executive Director
Louisiana State Employees' Retirement System
8401 United Plaza Boulevard
Post Office Box 44213
Baton Rouge, Louisiana 70804-4213

Dear Ms. Chambers:

We have reviewed the system of quality control of the internal auditing department (department) of the Louisiana State Employees' Retirement System (LASERS) for the period June 1, 2000, through May 31, 2001. We have issued our report thereon dated June 26, 2001. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion.

As a result of our review, we have the following comments and recommendations.

Audit Charter Should Be Revised

The specific functions and responsibilities of the internal auditing department are not adequately included in the present audit charter. The audit charter should be revised to be more specific as to the function and responsibilities of the audit department. The audit charter should, among other things (*Standards for the Professional Practice of Internal Auditing* Section 110):

- Clearly describe whom the audit manager reports to functionally and administratively and describe this process in sufficient detail so all parties will know exactly what is expected. To provide for the independence of the internal auditing department, the audit manager should report administratively to the executive director and have direct communication with the audit committee.
- Provide that the audit committee must concur with the appointment or removal of the audit manager (independence is enhanced when this is in place).

The audit committee charter should be revised to include this provision.

- Provide more detail relating to the accountability of the audit manager in the discharge of her duties. This should include to whom the audit manager is accountable to and specifically what will be done and when.
- Include specific performance measures for the internal auditing department that will be reported at least annually to the executive director and the audit committee.

The audit committee charter should be revised to include that they will evaluate the performance measures of the internal auditing department annually.

- Provide that the audit manager submits a periodic activity report to the audit committee. The activity report should include significant audit findings and recommendations, any substantial changes from the approved audit plan, and other information of interest to the audit committee.
- Provide that the audit manager schedules the nature, timing, and extent of follow-up procedures as part of developing the audit department's audit plan.
- Describe the specific support to be provided to the independent auditors.
- Require that the audit manager attends all audit committee meetings. In addition, some meetings should be scheduled without management present. The absence of management provides the audit manager the opportunity to discuss audit matters in a forum unaffected by possible pressures by management.

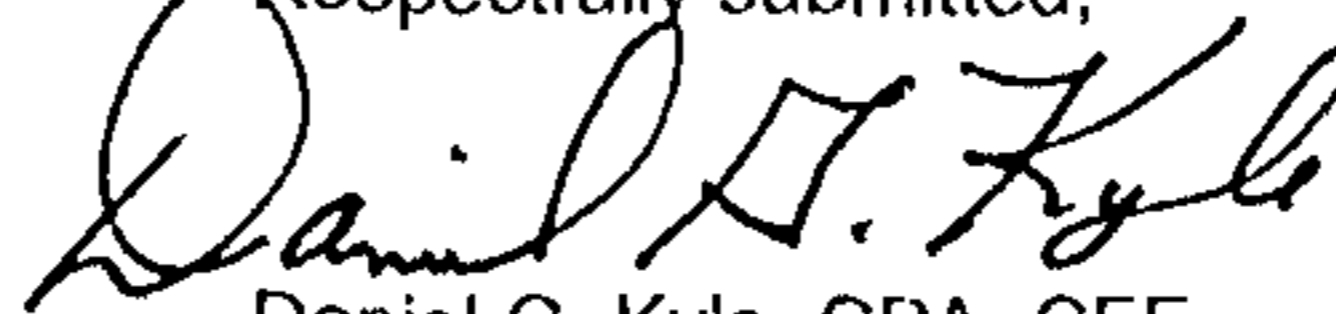
The audit committee charter should be revised to include that the audit manager shall attend all audit committee meetings.

- Require the audit committee to review the activities of the audit department on an annual basis to assure the independence and objectivity of internal auditing.
- Include a provision that the audit charter be reviewed by the audit manager on an annual basis for any significant changes in retirement policies and current audit practices.

Your written response to this finding is attached to this letter of comments. This letter of comments is intended solely for the information and use by the Executive Director, Board of Trustees of the Louisiana State Employees' Retirement System, Audit Committee of the Board of Trustees, and the Audit Manager.

Thank you for the courtesies and professionalism you extended to Gary McCrary of my staff during his review.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK:GLM:lnl

Attachment

Louisiana State Employees' Retirement System

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July 20, 2001

Daniel G. Kyle, CPA, CFE
Legislative Auditor
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2001 JUL 20 PM 4:09

Re: Quality Control Review of LASERS Internal Auditing Department

Dear Dr. Kyle:

We concur in the recommendation that both the audit charter and the audit committee charter should be reviewed and revised as appropriate. We appreciate the specific recommendations for improvements and will present them to the Audit Committee of the Board of Trustees for consideration at the meeting scheduled for July 26, 2001.

Thank you for assigning Gary McCrary to conduct the quality control review of our internal auditing department. He was very thorough and extremely professional in conducting this review. We appreciate his assistance in improving the operations of LASERS.

Sincerely,

Glenda Chambers
Executive Director

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Glenda T. Chambers,
Executive Director