

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Office of Telecommunications Management
Executive Department
State of Louisiana
Baton Rouge, Louisiana

April 30, 2003



Financial and Compliance Audit Division

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Albert J. Robinson, Jr., CPA

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**OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA**
Baton Rouge, Louisiana

Procedural Report
Dated April 21, 2003

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

April 30, 2003



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LEGISLATIVE AUDITOR
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April 21, 2003

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Office of Telecommunications Management. Our procedures included (1) a review of the office's internal controls; (2) tests of financial transactions for the years ending June 30, 2003, and June 30, 2002; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 2003, and June 30, 2002; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected office personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

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

In our prior report on the Office of Telecommunications Management, dated October 31, 2001, we reported findings relating to the lack of an internal audit function and inaccurate financial statements. The finding relating to inaccurate financial statements has been resolved by management. The finding relating to the lack of an internal audit function is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Lack of Internal Audit Function

For the ninth consecutive year, the Office of Telecommunications Management, an office within the Division of Administration, did not have an effective internal audit function to examine, evaluate, and report on internal control, including data processing, and to evaluate its compliance with the policies and procedures of the control system. An effective internal audit function is necessary to ensure that the office's assets are safeguarded and that state policies and procedures are uniformly applied. Total office

LEGISLATIVE AUDITOR

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA

Procedural Report, Dated April 21, 2003

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assets of \$10,900,330 and revenues of \$52,422,440 demonstrate the need for an effective internal audit function.

The Office of Telecommunications Management should develop and implement an effective internal audit function. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the office. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the office should be considered in reaching decisions on courses of action.

This report is intended solely for the information and use of the office 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

MMG:WDD:THC:ss

[OTM03]

Appendix A

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



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF TELECOMMUNICATIONS MANAGEMENT

M. J. "MIKE" FOSTER, JR.
GOVERNOR

02 OCT -4 10:03

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

October 1, 2002

Mr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

In response to your letter of September 30, 2002, concerning the audit findings on the lack of an internal audit function, the following is provided:

- Lack of Internal Audit Function
- OTM concurs with the finding
- The attached letter dated September 4, 2002 from Commissioner Mark Drennen to Dr. Daniel Kyle addresses the Division of Administration's position relative to this finding.

Please advise if additional information is required.

Sincerely,


J.A. Lanier
Director

c: Nino Salvaggio, OTM



M. J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

September 4, 2002

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Re: Audit Comment-Lack of Internal Audit Function in the Executive Department

We concur with the finding on this issue. The department, by oversight, did not submit a request for the FY 2001-02 for this purpose. A request for this purpose was submitted for FY 2002-03, however, it was not approved. While funding is an issue, a more important factor has prevented implementation within this agency. Although Civil Service positions have been established, it remains our opinion, that the pay grade allocations provided are inadequate to attract the level of personnel having the qualification to perform this function. Filling of positions with personnel not having the experience and qualifications to perform the functions is not a practical resolution.

As noted in our February 11, 2002, Single Audit response discussions were held with the Inspector General's Office regarding utilization of their resources to provide specific and limited internal audit functions to the Division of Administration. We would point out that during the recently completed fiscal period, and continuing into fiscal year 2002-2003, the Inspector General (IG) has provided resources to perform a limited operational audit within the Office of Risk Management and has committed to continue to provide resources for this purpose.

Sincerely,

Mark C. Drennen
Commissioner of Administration

MCD/wjk