

LOUISIANA OFFICE OF STUDENT FINANCIAL ASSISTANCE
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED AUGUST 22, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Thirteen copies of this public document were produced at an approximate cost of \$30.03. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3393 or Report ID No. 06502639 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.



STEVE J. THERIOT, CPA
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July 25, 2007

**LOUISIANA STUDENT FINANCIAL
ASSISTANCE COMMISSION
LOUISIANA OFFICE OF STUDENT
FINANCIAL ASSISTANCE
DEPARTMENT OF EDUCATION
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, 2006, we considered the Louisiana Office of Student Financial Assistance's (LOSFA) 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 LOSFA'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 Report of LOSFA is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. LOSFA'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 management letter on LOSFA for the year ended June 30, 2005, we reported a finding relating to lack of a disaster recovery/business continuity plan. This finding has not been resolved 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* have also been included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

Lack of a Disaster Recovery/Business Continuity Plan

For the third consecutive year, LOSFA does not have a disaster recovery/business continuity plan with access to an offsite disaster recovery facility. Good internal control requires that the office develop and test a disaster recovery/business continuity plan and obtain access to an offsite disaster recovery facility to provide timely restoration of critical operations in the event that normal data processing facilities are unavailable for an extended period of time. LOSFA maintains in-house computer records for various

state scholarship and grant programs, including the Tuition Opportunity Program for Students and the Student Assistance and Revenue Trust Program.

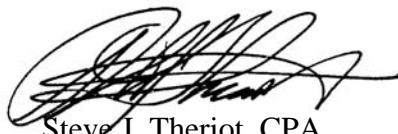
According to management, LOSFA has developed a written disaster recovery/business continuity plan but has not implemented and tested the plan because of a lack of funding. Failure to implement a disaster recovery/business continuity plan increases the risk that untimely or excessive delays in processing critical data, including information required for students applying for financial assistance, may occur and that critical information may be lost.

LOSFA management should implement a disaster recovery/business continuity plan, obtain access to an offsite disaster recovery facility, test the plan periodically, and update the plan as needed to ensure the plan continues to meet the needs of the agency. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A).

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

This letter is intended solely for the information and use of LOSFA and its management, others within the entity, and the Louisiana Legislature 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

COK:CGEW:THC:dl

LOSFA06

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



STATE OF LOUISIANA
OFFICE OF STUDENT FINANCIAL ASSISTANCE
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Kathleen Babineaux Blanco
GOVERNOR

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www.osfa.state.la.us

March 26, 2007
07-65

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Response to Audit Finding

Dear Mr. Theriot:

Your audit of the Louisiana Office of Student Financial Assistance (LOSFA), dated March 9, 2007, disclosed one finding. As requested, the following is our response to that finding.

Finding: Lack of a Disaster Recovery/Business Continuity Plan

We concur with your finding and have long recognized the need for a Disaster Recovery/Business Continuity Plan (DR/BCP). Since state fiscal year 2000-2001, this agency has been actively working to gain state funding for the development and implementation of such a plan. Our efforts finally resulted in the development of a plan during SFY 2004-2005; however, the last phase in implementing a DR/BCP is to competitively select a contractor to provide an off-site computing facility and to test, evaluate and update the plan, as appropriate.

LOSFA requested a state general fund appropriation for SFY 2005-2006 to finish implementing the DR/BCP. This request was denied, but budget authority was granted to use agency federal funds in the amount of \$455,000 to accomplish the final implementation phase.

Ironically, two natural disasters, Hurricanes Katrina and Rita, prevented the agency from fully implementing the DR/BCP during SFY 2005-2006. As a direct result of the hurricanes, agency income from federal sources was significantly reduced, forcing the agency to implement drastic budget cuts, including a reduced workweek and, finally, personnel layoffs. Consequently, federal funding was not available for implementation of the DR/BCP in SFY 2005-2006.

LOSFA was appropriated \$463,000 from state general funds for SFY 2006-2007 to implement the DR/BCP, and it has contracted with International Business Machines Corporation (IBM) to assist in performing the first phase of testing its DR/BCP. The first phase of testing requires an analysis of data provided by each section within the agency. Such information includes the primary processes of the section; policies, procedures and guidelines applicable to that section; information technology systems for that section; legal/regulatory implications if that section is unable to perform certain functions; and revenues produced by that section. Once each function is analyzed and categorized as critical, important, or minor, IBM will assist staff in the development of strategies for recovering and/or accessing data from a remote site and

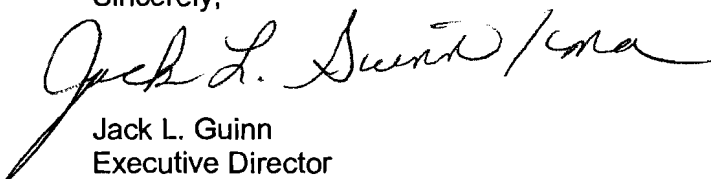
Mr. Steve J. Theriot
March 26, 2007
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resuming operations in the event of a disaster. The development of strategies will require a cost-benefit analysis of various options, including maintaining a second office and producing and storing daily back-up files at an offsite location for use in mobile units.

Once LOSFA, with the assistance of IBM, determines the most cost-effective manner in which to prepare for a disaster, it will prepare for and then test the DR/BCP. LOSFA anticipates that the DR/BCP testing will be completed by the end of SFY 2006-2007 or shortly thereafter.

If you have questions regarding this response or need additional information, please call me at (225) 922-1023.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack L. Guinn / cma". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Jack L. Guinn
Executive Director

JLG/RRL/csm