

DEPARTMENT OF VETERANS AFFAIRS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED JUNE 25, 2008

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

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

June 4, 2008

DEPARTMENT OF VETERANS AFFAIRS
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Veterans Affairs for the period from July 1, 2006, through June 4, 2008. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. 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 other selected department 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 Report of the Department of Veterans Affairs was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

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

The Department of Veterans Affairs 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 17 of the 2006 Regular Session and Act 18 of the 2007 Regular Session require agencies with an appropriation level of \$30 million or more to include within its existing table of organization positions that perform the function of internal auditing.

Considering the department's appropriation of \$31 million for the fiscal year ending June 30, 2007, and \$45 million for the fiscal year ending June 30, 2008, the department is required to develop and implement an effective internal audit function to ensure its assets are safeguarded and its policies and procedures are uniformly applied. As of March 25, 2007, the department has not established an internal audit function.

The Department of Veterans Affairs should establish an internal audit function to provide assurances 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 corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the department. The nature of the recommendation, its implementation cost, and the potential impact on the operations of the department should be considered in reaching a decision on a course of action. The finding relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BB:WDG:EFS:PEP:dl

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



STATE OF LOUISIANA
DEPARTMENT OF VETERANS AFFAIRS

Bobby Jindal
Governor

Lane A. Carson
Secretary

April 11, 2008

Joey Strickland
Deputy Secretary

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Single Audit Finding – Lack of Internal Audit Function

We concur that the Department of Veteran's Affairs does not have an effective internal audit function to examine, evaluate, and report on its internal controls and to evaluate compliance with the policies and procedures that comprise controls.

The Department of Veteran's Affairs plans to establish an internal audit function to provide assurances that assets are safeguarded and to ensure that management's policies and procedures are applied. We will continue to submit a request for a position and funding for an internal auditor through the normal budgetary process. We are currently evaluating the Department's financial and human resources allotment to determine if a position can be reallocated and utilized for the internal audit function.

I, Lane Carson, Secretary of the Department of Veteran's Affairs, will be responsible for corrective action needed to bring the Department into compliance, with requirements to have an internal audit program. I expect to have this internal audit program established by June 30, 2009.

Sincerely,

A handwritten signature in black ink that reads "Lane Carson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Lane Carson
Secretary