

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

January 14, 1998



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

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

**Management Letter
Dated December 4, 1997**

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.

January 14, 1998



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

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (504) 339-3800
FACSIMILE: (504) 339-3870

December 4, 1997

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

As part of our audit of the financial statements of the State of Louisiana for the year ended June 30, 1997, we conducted certain procedures at the Office of Telecommunications Management. Our procedures included (1) a review of the office's internal control structure; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations.

The Annual Fiscal Report of the Office of Telecommunications Management was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report. The office's accounts, included within the Executive Department, are an integral part of the financial statements of the State of Louisiana, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected office personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the Office of Telecommunications Management for the year ended June 30, 1996, we reported an internal control finding relating to the internal audit function, which is addressed again in this report.

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

Internal Audit Function

For the fourth 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 its internal control structure, including data processing, and to evaluate its compliance with the policies and procedures of the

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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 assets of \$8,800,854 and revenues of \$37,753,063 demonstrate the need for an effective internal audit function.

The Office of Telecommunications Management should develop and implement an effective internal audit function. In a letter dated September 10, 1997, Mr. Joseph A. "Bud" Lanier, Director, concurred with the finding and stated that the Division of Administration received funding for three internal audit positions that would serve the department, including the Office of Telecommunications Management. The department has not filled the positions because of outstanding issues relating to pay grade allocations and the organizational structure of the internal audit function.

Electronic Data Processing Control Weaknesses

The Office of Telecommunications Management has not established adequate user controls over electronic data processing (EDP). Adequate internal controls require that individuals be permitted access only to the data files and programs necessary to perform their duties. During our review of the office's EDP controls, the following weaknesses were observed.

- There are no written procedures pertaining to the issuance of user identification (ID) codes or the deletion of user ID codes once an employee terminates or no longer has a legitimate need for access.
- In our review of the Advanced Governmental Purchasing System (AGPS), 13 of the 32 users who had access to AGPS did not need the access to perform their duties.
- There are no monitoring procedures to ensure that individuals be permitted access only to the data files and programs necessary to perform their duties.

Failure to establish adequate controls and monitoring procedures in an EDP environment could result in unauthorized access to data, inconsistent application of procedures, and errors or fraud in processing transactions may not be detected.

The Office of Telecommunications Management should establish written procedures for the issuance and deletion of user ID codes and should implement monitoring procedures to ensure that AGPS access is restricted to individuals with legitimate business needs. In a letter dated October 6, 1997, Mr. Joseph A. "Bud" Lanier,

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Director, concurred with the finding and stated that the Office of Telecommunications Management has corrected the specific access problem identified in the finding. The office is in the process of developing written procedures to ensure that AGPS access is restricted to individuals with legitimate business needs. These procedures will include monthly monitoring at the appropriate manager levels and should be completed by October 31, 1997.

Inadequate Movable Property Controls

The Office of Telecommunications Management did not update movable property records for acquisitions within 45 days of receipt and did not notify the Louisiana Property Assistance Agency (LPAA) 30 days in advance of a movable property physical inventory, as required by Louisiana Revised Statutes (R.S.) 39:321, *et seq.* Our test of movable property disclosed that procedures are not adequate to ensure that all acquisitions are reported to LPAA within 45 days. Of 66 items tested, 31 items totaling \$108,859 were not reported to LPAA until 70 to 124 days after acquisition. Furthermore, the property control manager did not notify LPAA 30 days in advance of the dates on which the physical inventory would be conducted.

Failure to report acquisitions within the 45-day period increases the risk of loss arising from unauthorized use. Failure to notify LPAA at least 30 days in advance of the dates the annual movable property inventory will be conducted precludes LPAA from observing the inventory process.

The Office of Telecommunications Management should implement procedures to ensure that all acquisitions are reported to LPAA within 45 days of receipt and that LPAA is notified at least 30 days in advance of the dates on which the physical inventory will be conducted. In a letter dated October 6, 1997, Mr. Joseph A. "Bud" Lanier, Director, concurred with the finding and stated that the Office of Telecommunications Management has corrected the specific movable property problem identified in the finding. The office is in the process of developing written procedures to ensure that all acquisitions are reported to LPAA within 45 days of receipt and that LPAA is notified at least 30 days in advance of the dates on which the physical inventory will be conducted. These procedures should be completed by October 31, 1997.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the office. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the office should be considered in reaching decisions on courses of action. Findings relating

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to the office's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MMG:THC:dl

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