

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

November 3, 1999



Financial and Compliance Audit Division

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

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

**Management Letter
Dated October 14, 1999**

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.

November 3, 1999



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

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October 14, 1999

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
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, 1999, 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; (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 within the scope of our work, and, accordingly, we offer no form of assurance on that report. The office's accounts are an integral part of the State of Louisiana's financial statements, 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 improvement. 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, dated November 5, 1998, we reported internal control findings relating to the internal audit function and movable property. The finding relating to controls over movable property has been resolved by management. The finding relating to the 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.

LEGISLATIVE AUDITOR

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA

Management Letter, Dated October 14, 1999

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Lack of Internal Audit Function

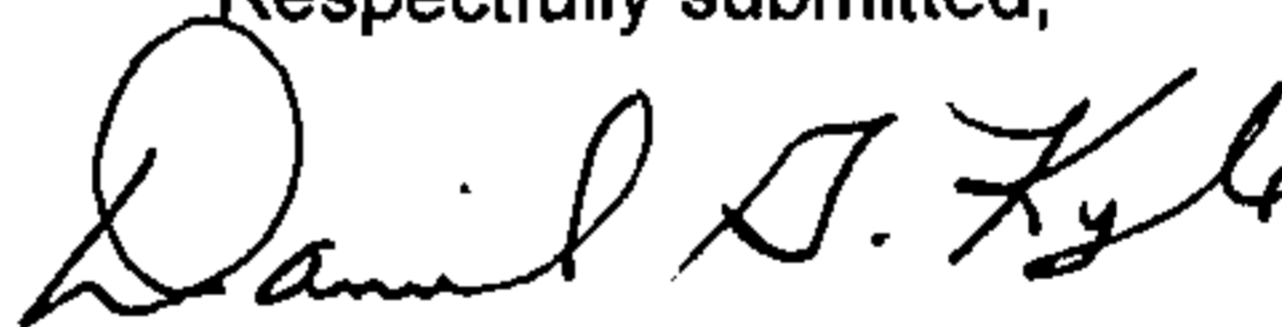
For the sixth consecutive year, the Office of Telecommunications Management, a section within the Division of Administration, did not have an effective internal audit function to examine, evaluate, and report on internal control, including data processing, and to evaluate its compliance with the policies 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 assets of \$9,978,102 and revenues of \$43,906,459 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, pages 1-2).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement 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 for the information and use of the office 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,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MMG:THC:RCL:ss

(OTM)

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

MARK C. DI
COMMISSIONER OF /

September 5, 1999

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

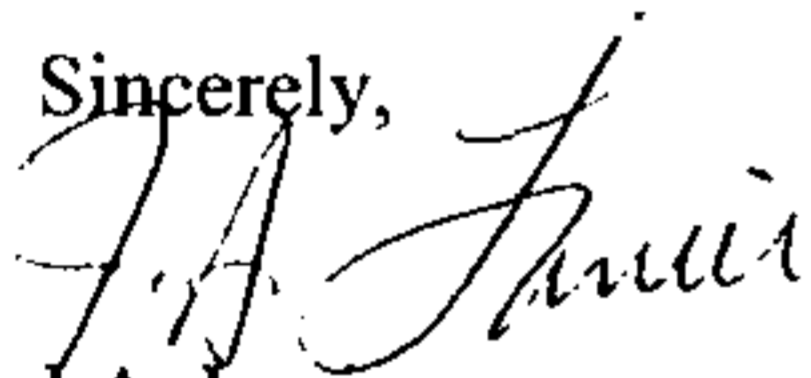
Dear Mr. Kyle:

In response to your letter of August 30, 1999 concerning the audit finding on the lack of an internal audit function within the Office of Telecommunications Management (OTM), the following is provided:

- Finding: Lack of Internal Audit Function
- OTM concurs with the finding.
- The attached letter from Commissioner Drennen explains the DOA's position on this matter.

Please advise if additional information is required.

Sincerely,


J.A. Lanier
Director

Attachment

c: Nino Salvaggio, OTM



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

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

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

August 26, 1999

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. This department did submit a request for 3 positions and \$167,241 dollars in its fiscal year 1999-2000 budget request. Due to revenue constraints and inadequate pay levels this item was not approved for funding within the Governor's Executive Budget submission. We will again request funding for this activity in our fiscal year 2000-2001 budget submission.

While funding has been an issue, another issue remains which 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.

We agree this issue is important, not only to this department, but to all departments.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark C. Drennen".

Mark C. Drennen
Commissioner of Administration

MCD/wjk