

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED MAY 23, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
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. Six copies of this public document were produced at an approximate cost of \$12.42. 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. 3531 or Report ID No. 07501286 for additional information.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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May 15, 2007

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 for the period from July 1, 2005, through May 15, 2007. 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 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 Report of the Office of Telecommunications Management as of and for the year ended June 30, 2006, was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The Annual Fiscal Report as of and for the year ended June 30, 2007, was not within the scope of our work, and, accordingly, we offer no opinion on that report upon its issuance. 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 May 12, 2005, we reported a finding relating to the lack of an internal audit. The finding 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 eleventh consecutive audit, 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 the office's assets are safeguarded and state policies and procedures are uniformly applied. Total office assets of \$14,317,613 and revenues of \$53,854,020 as of and for the year ended June 30, 2006, 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 which is 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,



Steve J. Theriot, CPA
Legislative Auditor

VF:WDD:THC:ss

[OTM07]

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



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF TELECOMMUNICATIONS MANAGEMENT

KATHLEEN BABINEAUX BLANCO
GOVERNOR

JERRY LUKE LEBLANC
COMMISSIONER OF ADMINISTRATION

March 21, 2007

Mr. Steven J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

RE: Office of Telecommunications Management (OTM)
January 12, 2007 Audit Comment— Lack of Internal
Audit Function

We concur with the finding on the lack of an internal audit function within the Office of Telecommunications Management (OTM). In previous years, the Division of Administration (DOA) has submitted requests for funding of the appropriate TO for this purpose that were not approved.

The DOA has recently been successful in obtaining the required budget approval and has now established an internal audit section. As a section of the DOA, OTM intends to utilize this internal audit resource to ensure compliance with the required control systems. This resource will provide the appropriate level of independence required for such functions.

Attached you will find a copy of the official response from Jerry Luke LeBlanc, Commissioner of Administration, on behalf of all DOA sections.

Please advise if additional information is required.

Sincerely,

F. Derald Kirkland, Jr.
I.T. Telecommunications Administrator

Attachment

c: Rizwan Ahmed, CIO
Barbara Goodson, ACMF
Jerry Luke LeBlanc, Commissioner
JD Liford, OTM Support Services Administrator
Michael Monk, Legislative Auditor



Kathleen Babineaux Blanco
GOVERNOR

State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

Jerry Luke LeBlanc
COMMISSIONER OF ADMINISTRATION

January 3, 2007

Steve J. Theriot, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Re: Audit Finding – Ineffective Internal Audit Function

Dear Mr. Theriot:

We concur with the finding that the Executive Department did not have an effective internal audit function. However, as indicated in our previous response, we are implementing our corrective action plan in order to provide an effective internal audit function within the Executive Department for the fiscal year ending June 30, 2007.

Specifically, we hired Mr. Michael Monk, Internal Auditor, on October 2, 2006, to begin the process of establishing an effective Internal Audit section within the Division of Administration. In addition, we are currently recruiting applicants for two other positions in this unit, an Internal Auditor and an Auditor 3. Upon completion of the hiring process, we will have in place an internal audit function focused on providing management assurances that assets are safeguarded and that policies and procedures are being applied in accordance with management's intentions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Luke LeBlanc".

Jerry Luke LeBlanc
Commissioner of Administration

JLL/GK/k