

OFFICE OF TELECOMMUNICATIONS MANAGEMENT
DIVISION OF ADMINISTRATION
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED JUNE 10, 2009

**LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

May 20, 2009

**OFFICE OF TELECOMMUNICATIONS MANAGEMENT
DIVISION OF ADMINISTRATION
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, 2007, through May 20, 2009. 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 the prior report recommendation. 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 was not audited or reviewed by us, and, accordingly, we do not express an opinion 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 opinions.

In our prior report on the Office of Telecommunications Management, dated May 15, 2007, we reported a finding relating to the lack of an internal audit function. That 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 twelfth consecutive engagement, the Office of Telecommunications Management (OTM) did 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 internal controls. Act 49 of the 2008 Regular Session of the Louisiana Legislature requires ancillary agencies with budgets in excess of \$30 million to include within its existing table of organization positions which perform the function of internal auditing.

The Internal Audit Section of the Division of Administration has not completed any internal audits at OTM, which is not sufficient to constitute an effective internal audit function. Considering OTM's reported assets of \$11,737,316 and revenues of \$55,005,187 as of and for the year ended June 30, 2008, an effective internal audit function is important to ensure that assets are safeguarded and that management's policies and procedures are uniformly applied.

Management should establish an internal audit function to provide assurance 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 provided a corrective action plan (see Appendix A).

The recommendation in this report represents, in our judgment, that 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. Compliance issues should be addressed immediately by management.

This report is intended solely for the information and use of the office, 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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OTM09

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



BOBBY JINDAL
GOVERNOR

ANGELE DAVIS
COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of Telecommunications Management

April 14, 2009

Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Office of Telecommunications Management (OTM)
April 8, 2009 Audit Comment— Lack of Internal
Audit Function

Dear Mr. Theriot:

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 now established an internal audit section. As a section of the DOA, OTM intends to utilize these internal audit resources to ensure compliance with the required control systems. It is also viewed that these resources will provide the appropriate level of independence required for such functions. Additionally, DOA Internal Audit has included OTM in their schedule of agencies to audit.

Please advise if additional information is required.

Sincerely,

A handwritten signature in black ink that reads "F. Derald Kirkland, Jr.".

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