

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



DEPARTMENT OF NATURAL RESOURCES
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED NOVEMBER 10, 2004

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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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.

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STEVE J. THERIOT, CPA
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November 1, 2004

DEPARTMENT OF NATURAL RESOURCES
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, 2004, we considered the Department of Natural Resources' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Report of the Department of Natural Resources is 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.

In our prior management letter on the Department of Natural Resources for the year ended June 30, 2003, we reported findings relating to the lack of control over payroll records, the lack of a disaster recovery/business continuity plan, an ineffective internal audit function, and noncompliance with unclaimed property regulations. The findings relating to the lack of control over payroll records, an ineffective internal audit function, and noncompliance with unclaimed property regulations have been substantially resolved by management. The finding relating to a lack of a disaster recovery/business continuity plan is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2004.

Lack of a Disaster Recovery/Business Continuity Plan

For the third consecutive year, the Department of Natural Resources does not have a disaster recovery/business continuity plan. Good internal control requires that the department develop a written disaster recovery/business continuity plan to provide for the timely restoration of critical operations in the event that normal data processing facilities are unavailable for an extended period of time.

LEGISLATIVE AUDITOR

**DEPARTMENT OF NATURAL RESOURCES
STATE OF LOUISIANA**

Management Letter, Dated November 1, 2004

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A review of the department's information technology policies disclosed that the department does not have a disaster recovery/business continuity plan. Failure to implement a disaster recovery/business continuity plan increases the risk that untimely or excessive delays in processing critical data may occur and that critical data may be lost.

The department should prepare a written disaster recovery/business continuity plan that is tested periodically and updated as necessary to ensure that the plan continues to meet the department's needs. Management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendation in this letter 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 costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action.

This letter 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 letter is a public document, and it has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

MMG:EFS:PEP:dl

[DNR04]

Appendix A

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

State of Louisiana



KATHLEEN BABINEAUX BLANCO
GOVERNOR

SCOTT A. ANGELLE
SECRETARY

DEPARTMENT OF NATURAL RESOURCES OFFICE OF MANAGEMENT AND FINANCE

MEMORANDUM

Mr. Steve Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Lack of Disaster Recovery /Business Continuity Plan

Dear Mr. Theriot:

The Department of Natural Resources (DNR) concurs with the above referenced audit finding.

The Department has long sought funding to correct this finding via the request of funds through the normal Legislative budget process. These requests have been denied. In August, 2003, DNR (in conjunction with Department of Environmental Quality and Department of Transportation & Development) requested funding from the Louisiana Technology Innovation Fund (LTIF) for the development of a disaster recovery plan and business continuity plan using sophisticated disaster planning software. Funding was subsequently approved by LTIF. The three agencies then developed a Request for Proposals (RFP) which was sent to potential bidders in March, 2004. Responses from bidders were received, the bids were evaluated, and Northrup Grumman was selected as the successful proposer. Today the contract is pending approval at the Division of Administration, Office of Contractual Review. DNR plans to commence the disaster recovery planning and development project as soon as final contract approval is secured.

If you have any questions in regard to this matter or wish to discuss it further, do not hesitate to call me at 342-4534.

Sincerely,

Robert D. Harper
Undersecretary

RDH/mg

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