DEPARTMENT OF STATE

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued July 15, 2026

LOUISIANA LEGISLATIVE AUDITOR

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of State

July 2026

Audit Control # 80260048

Introduction

The primary purpose of our procedures at the Department of State (DOS) was to evaluate certain controls DOS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

Results of Our Procedures

We evaluated DOS's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of DOS's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to the LaCarte purchasing card, travel, payroll, internal audit, and commercial revenue – business fees.

Based on the results of these procedures, we reported a finding related to Internal Audit Function Weaknesses, as described in the Current-report Finding section of the report.

Current-report Finding

Internal Audit Function Weaknesses

DOS did not have adequate controls over the internal audit function to ensure adherence to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) during fiscal years 2025 and 2026. Although the audit plan for each year indicated that risk assessments by the internal auditor and risk assessment tools used to obtain the input of operational department managers, supervisors, and executive management were used to prioritize and develop the agency's audit plan, the risk assessment documentation provided for fiscal years 2025 and 2026 only included a compilation of responses from entity personnel with risk ratings that did not correlate with the areas listed as audit priorities in the audit plan. The risk assessment documentation did not provide specific considerations by the internal auditor and did not provide a clear linkage to the annual audit plans or to the work performed. Although the risk assessment process is only one component of the Internal Auditor's overall methodology for developing the annual audit plans, there was no documentation provided to support other considerations. The risk assessments did not include any information about how audit engagements were selected and prioritized.

An agency with an appropriation level of $30 million or more is required by Louisiana Revised Statute 36:8.2 to have an internal audit function and to annually certify to the department Secretary that the internal audit function conforms to the IIA Standards. Considering DOS was appropriated $111 million for fiscal year 2025 and $137 million for fiscal year 2026, an effective internal audit function is important to ensure that DOS's assets are safeguarded and management's policies and procedures are uniformly applied. The IIA Standards require the internal auditor to establish a risk-based plan to determine the priorities of the internal audit activity.

Failure to fully adhere to IIA standards increases the risk that DOS's internal audit function will not be effective or efficient. Management should ensure that internal audit activities are performed in accordance with IIA Standards and establish a clear linkage between documented risk assessments and annual audit plans to the selection and prioritization of work performed. DOS partially concurred with the finding and provided a corrective action plan (see Appendix A).

Trend Analysis

We compared the most current and prior-year financial activity using DOS's Annual Fiscal Reports and/or system-generated reports and obtained explanations from DOS's management for any significant variances.

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

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DOS2026

APPENDIX A: MANAGEMENT'S RESPONSE

SECRETARY OF STATE

NANCY LANDRY
SECRETARY OF STATE

P.O. BOX 94125
BATON ROUGE, LA 70804-9125

June 26, 2026

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Internal Audit Function Weaknesses

Dear Mr. Waguespack:

The Department of State has reviewed the draft finding titled "Internal Audit Function Weaknesses" and appreciates the opportunity to provide management's response.

The Department concurs in part with the finding. The Department acknowledges that additional documentation could have been maintained to more clearly demonstrate the linkage between the annual risk assessment process and the development and prioritization of the internal audit plans for fiscal years 2025 and 2026. The Department agrees that strengthening this documentation will enhance transparency and further support compliance with applicable professional internal auditing standards.

However, the Department does not concur with any implication that audit engagements were selected without consideration of risk or that the internal audit function was not operating in accordance with its established methodology. Risk assessment tools were distributed to operational management and executive leadership, management input was evaluated, and multiple factors were considered in developing the annual audit plans, including prior audit history, compliance requirements, program significance, management concerns, operational changes, and professional judgment. Annual audit plans were reviewed and approved by executive management.

The Department believes the internal audit function was designed and operated in a manner consistent with the objectives of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Nevertheless, the Department recognizes that additional supporting documentation would better demonstrate the relationship between risk assessment results and audit planning decisions.

The Department's internal auditor has resigned, and the vacant position will be filled as soon as possible. The Department remains committed to maintaining an effective and efficient internal audit function. To address the concerns identified, the Department will implement enhancements to its internal audit planning documentation process as outlined in the corrective action plan below.

Contact Person Responsible for Corrective Action:
Shanda R. Jones
Undersecretary of Management & Finance/Chief of Staff

Corrective Action Planned:

1. The Internal Auditor will enhance annual risk assessment documentation to more fully document the factors considered during the risk evaluation process, including management input, professional judgment, operational changes, compliance considerations, and prior audit results.

2. Future annual audit plans will include additional documentation clearly demonstrating the relationship between identified risks and the selection and prioritization of audit engagements.

3. The Internal Auditor will maintain supporting workpapers documenting significant planning considerations used in developing the annual audit plan, including management concerns, emerging risks, resource availability, statutory requirements, and other relevant factors.

4. The Department will conduct an annual review of the risk assessment and audit planning documentation process to ensure continued alignment with professional standards and audit expectations.

Anticipated Completion Date:
December 31, 2026

The Department remains committed to maintaining an effective internal audit function and continuously improving its processes to strengthen accountability, transparency, and compliance.

Sincerely,

Nancy Landry

Nancy Landry
Secretary of State

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of State (DOS) for the period from July 1, 2024, through June 30, 2026. Our objective was to evaluate certain controls DOS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review DOS's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DOS's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated DOS's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DOS.

- Based on the documentation of DOS's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to the LaCarte purchasing card, travel, payroll, internal audit, and commercial revenue – business fees.

- We compared the most current and prior-year financial activity using DOS's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DOS's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at DOS, and not to provide an opinion on the effectiveness of DOS's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.