REPORT TO MANAGEMENT ON
FOLLOW-UP AUDIT OF
DATA, VOICE, AND VIDEO NETWORKING
LAMAR INSTITUTE OF TECHNOLOGY
MAY 2002
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May 13, 2002

Dr. Robert Krienke, President
Lamar Institute of Technology
P.O. Box 10043
Beaumont, TX 77710

Dear Dr. Krienke:

Enclosed is a copy of Report to Management on Follow-Up Audit of Data, Voice, and Video Networking, May 2002. The primary focus of the audit was to evaluate management’s progress in implementing the prior audit recommendations addressed in March 2001. The period subject to review was January 2002.

The audit is classified as a Category II based on criteria prescribed by the Rules and Regulations of The Texas State University System.

Management has fully implemented nine (9) of the eleven (11) outstanding audit recommendations. Lamar Institute of Technology has adopted a comprehensive networking plan that covers all of the critical issues, including how networking services and equipment are purchased, installed, etc. The Institute has assigned the Technology Services department to coordinate the Institute’s network. The account managers have reviewed and verified monthly telephone charges. They also reimbursed for personal calls at the Institute’s cashier’s office.

The Institute did not implement the suggested restructured charges for Network services with valid reason. The costs to implement this recommendation exceeded the benefits derived.

Management has not implemented one (1) of the eleven (11) outstanding audit recommendations. The Institute has not activated a long distance authorization code for the entire campus to enhance controls and efficiency.

If you should have comments or questions, I am available at your convenience to review the report.

Sincerely,
Twila J. Baker, CPA
Director of Internal Audit
OBJECTIVES

The Internal Audit Plan for fiscal year 2002 provides for a follow-up audit of data, voice, and video networking. The primary focus of the audit was to evaluate management’s progress in implementing the prior audit recommendations addressed in March 2001. The period subject to review was January 2002.

The scope of the original audit was to ensure compliance with the Lamar Institute of Technology’s policy and procedures, including the use of cellular phone, long distance toll calling, and calling cards.

The audit is classified as a Category II based on criteria prescribed by the Rules and Regulations of The Texas State University System.

RESULTS OF REVIEW

Management has fully implemented nine (9) of the eleven (11) prior audit recommendations. The status of the findings and recommendations are as follows:

Management has fully implemented the prior audit recommendations:

- Adopted a comprehensive networking management plan.
- Enhanced written, formal procedures for cellular phone use, personal use of the telephone, reimbursement, procurement procedures, etc.
- Implemented a strict application of administrative actions in the event deliberate or chronic violations occur.
- Assigned the Technology Services department to coordinate the Institute’s network.
- Assigned the Technology Services department to approve all communication requests.
- Reviewed monthly telephone charges.
- Reviewed and reconciled all Data, Voice, and Video Networking bills.
- Maintained telephone logs for long distance toll calling and cellular phone usage.
Established policies and procedures to obtain a cellular phone.

Management did not implement the following recommendation with valid reasons:

- We recommend management consider implementing the suggested charges for Network services including rate charge per minute, line charges and charging for data connections in order to offset the expense.

Management did not implement the prior audit recommendation:

- We recommend management consider activation of long distance authorization codes for entire campus to enhance controls and efficiency.

CONCLUDING REMARK

We appreciate the assistance provided to Internal Audit by the staff doing our engagement.
REPORT TO MANAGEMENT ON
FOLLOW-UP AUDIT OF
DATA, VOICE, AND VIDEO NETWORKING

LAMAR INSTITUTE OF TECHNOLOGY
MAY 2002

Lamar Institute of Technology
Dr. Robert Krienke, President
Mr. Jonathan Wolfe, Vice President for Finance and Operations
Mr. Isaac Barbosa, Director of Computer Services

The Texas State University System
Mr. J. Wiley Thedford, Vice Chancellor of Finance
Mr. Jerry W. Neef, Director of Audits and Analysis

Project Auditors
Ms. Twila Baker, Project Director
Ms. Daphne McIntire, Project Auditor
DETAILED FINDINGS
AND
RECOMMENDATIONS
POLICIES AND PROCEDURES

Prior Audit Recommendations:

We recommend management adopt a comprehensive networking management plan that covers all of the critical issues, including how networking services and equipment are purchased, installed, etc.

We recommend written, formalized procedures be enhanced for cellular phone use, personal use of the telephone, reimbursement, procurement procedures, etc.

We recommend management implements and takes responsibility for a strict application of the administrative actions in the event deliberate or chronic violations are found. Consistent application of policy will provide a greater opportunity for compliance overall.

Management has fully implemented the prior audit recommendations.

Lamar Institute of Technology has a comprehensive networking management plan. The plan is included in the “Information Technology Policies.” The Technology Services department must approve all purchase or acquisition of network hardware, software, or cable connecting to the network. The department will administer, deliver, and maintain the equipment and store archival devices in its department.

The policies also have a section about cellular communication. The Technology Services department will order and purchase all cellular telephones and services through Verizon Wireless. The Technology Services department will bill the employee’s department for the cellular items and accessories and monthly charges. Any employee requesting cellular services must have the Vice President’s approval. The employee is solely responsible for making sure the phone remains in good working condition. The employee is also responsible for any personal phone calls and will make payment at the Institute’s cashier’s office.

All network users shall abide by the policies and procedures relating to Data, Voice, and Video Networking. Failure to do so, may lead to cessation of services and disciplinary action.

RECOMMENDATIONS

There are no further recommendations for these findings.
CENTRALIZED DATA, VOICE, AND VIDEO NETWORKING PROCUREMENT

Prior Audit Recommendations:

We recommend management of the office of Data, Voice, and Video Networking be assigned the responsibility to coordinate the Institute’s networking control policies.

We recommend all requests for Data, Voice, and Video Networking assignments including cellular phones, calling cards, 1-800 numbers, pagers and other long distance toll calling services should be submitted to the individual’s department and Data, Voice and Video Networking for review and approval. We further recommend the responsibility to coordinate all expenditures be assigned to Data, Voice, and Video Networking.

Management has fully implemented the prior audit recommendations.

The “Information Technology Policies” state that the Technology Services department is responsible to coordinate the Institute’s network.

The “Information Technology Policies” have a section about cellular communication. The Technology Services department will order and purchase all cellular telephones and services through Verizon Wireless. The Technology Services department will bill the employee’s department for the cellular items and accessories and monthly charges. Any employee requesting cellular services must have the Vice President’s approval.

RECOMMENDATIONS

There are no further recommendations for these findings.

TOLL FRAUD

Prior Audit Recommendation:

We recommend management consider activation of long distance authorization codes for the entire campus to enhance controls and efficiency.

Management has not implemented the prior audit recommendation.
Lamar Institute of Technology has not considered activation of long distance authorization codes for the entire campus to enhance controls and efficiency.

The use of authorization codes is inconvenient for telephone system users; however, it could result in significant savings to the Institute.

**RECOMMENDATION**

We recommend management consider activation of long distance authorization codes for the entire campus to enhance controls and efficiency.

**MANAGEMENT’S RESPONSE**

Lamar Institute of Technology will coordinate with Lamar University the feasibility of implementing long distance authorization codes with the following plan of action:

1. Identify if authorization codes can be implemented for just LIT.
2. Identify if the University will be implementing authorization codes.
3. Discuss and investigate the feasibility of implementing long distance authorization codes individually or in coordination with the University.
4. Compile and present results to management.

After completion of these actions, LIT will discuss the results with the office of Internal Audit and proceed based on their recommendations.

**NETWORKING CHARGE STRUCTURE**

**Prior Audit Recommendation:**

We recommend management consider implementing the suggested restructured charges for Network services including rate charge per minute, line charges and charging for data connections in order to offset the expense.

Management did not implement this recommendation with valid reasons that Internal Audit concurred with.

The Intercomponent Services Agreement for FY 2001-2002 between Lamar Institute of Technology and
Lamar University provides a telecommunications line item for approximately $49,000.00. This amount is in addition to long distance and equipment charges. It is management’s position that additional charges seem unreasonable.

**RECOMMENDATION**

There is no further recommendation for this finding.

**REVIEW OF TELEPHONE CHARGES**

*Prior Audit Recommendations:*

- We recommend account managers review monthly telephone charges and verify that all calls placed are for Institute business only.

- We recommend that all Data, Voice, and Video Networking bills be reconciled and reviewed monthly.

Management has fully implemented the prior audit recommendations.

Internal Audit obtained and examined January’s 2002 Telephone Billing Report. The account managers have reviewed and verified all calls in their department. The employees reimbursed their personal calls at the cashier’s office. We sampled twenty (20) departments and noted no exception.

**RECOMMENDATIONS**

There are no further recommendations for these findings.

**PERSONAL CALLS**

*Prior Audit Recommendation:*

We recommend telephone logs should be maintained for long distance toll calling and cellular phone usage. These logs should identify all personal calls, including incoming calls to help ensure that the Institute is appropriately reimbursed.
Management has fully implemented the prior audit recommendation.

The account managers have reviewed and verified all calls in their department. The employees reimbursed their personal calls at the cashier’s office.

RECOMMENDATION

There is no further recommendation for this finding.

GUIDELINES FOR CELLULAR PHONES AND CALLING CARDS

Prior Audit Recommendation:

We recommend criteria, such as, what an employee should do to obtain a cellular phone, who is eligible, etc. should be established. At the time of receiving the phone, the employee should sign that he has received a copy of the guidelines on the proper use of the phone. Matters such as fraudulent use, loss of the phone, extent of use by those using the phone other than the person to whom it is issued, etc. should be part of the guidelines.

Management has fully implemented the prior audit recommendation.

The “Information Technology Policies” has a section about cellular communication. The Institute will supply those employees, who need access to cellular communication items, as needed. The Technology Services department will order and purchase all cellular telephones and services through Verizon Wireless. The Technology Services department will bill the employee’s department for the cellular items and accessories and monthly charges. Any employee requesting cellular services must have the Vice President’s approval. The employee is solely responsible for making sure the phone remains in good working condition. The employee is also responsible for any personal phone calls and will make payment at the Institute’s cashier’s office. If the phone is broken or misplaced, the employee should report this to the Technology Services department immediately.

RECOMMENDATION

There is no further recommendation for this finding.