

# LOUISIANA SALES AND USE TAX COMMISSION FOR REMOTE SELLERS

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report**  
**Issued July 3, 2024**

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Louisiana Sales and Use Tax Commission for Remote Sellers



July 2024

Audit Control # 80230041

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## Introduction

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The primary purpose of our procedures at the Louisiana Sales and Use Tax Commission for Remote Sellers (Commission) was to evaluate certain controls the Commission uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

## Results of Our Procedures

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We evaluated the Commission'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 the Commission's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to bank reconciliations over the Commission's operations, revenue collections and distributions; payroll and employee benefits; ethics and sexual harassment training; movable property; and record retention.

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## Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in the Commission's procedural report dated September 7, 2022. We determined that management has resolved the prior-report findings related to Inadequate Assurance over Service Organization Internal Controls and Lack of Written Policies and Procedures. The prior-report finding related to Inadequate Controls over Bank Reconciliations has been partially resolved and is addressed again in this report.

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## **Current-report Findings**

### **Inadequate Controls over Bank Reconciliations**

The Commission did not timely complete monthly bank reconciliations for its three bank accounts during fiscal years 2022 and 2023. This is the second consecutive engagement we have reported weaknesses related to bank reconciliations.

The following was noted during our review:

- The collections account had an average date of completion of 217 days. All 11 bank reconciliations we reviewed were completed beyond 60 days, ranging from 108 to 328 days after the relevant month-end.
- The distributions account had an average date of completion of 75 days. Fifteen of the 24 bank reconciliations we reviewed were completed beyond 60 days, ranging from 68 to 163 days after the relevant month-end.
- The operations account had an average date of completion of 101 days. Twenty of the 24 bank reconciliations we reviewed were completed beyond 60 days, ranging from 67 to 196 days.

Good internal controls require a monthly reconciliation of bank balances to the accounting records in a timely manner. The Commission has not developed effective internal controls to ensure that all bank reconciliations are completed timely. Failure to complete bank reconciliations in a timely manner increases the risk that errors and/or fraud could occur and not be detected in a timely manner and increases the risk of inaccurate financial reporting.

The Commission should develop effective internal controls to ensure bank reconciliations are being completed timely. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

### **Noncompliance with State Laws and Regulations over Asset Management, Record Retention, and Training**

The Commission did not comply with state laws and regulations over asset management, record retention, and training. During our procedures for the two years ended June 30, 2023, we noted the following:

- The Commission did not maintain a master file of inventory and did not maintain the documentation necessary to create a master file of inventory, as required by state law. The Commission also failed to tag applicable movable property items purchased by the Commission as required by the Louisiana Administrative Code (LAC).

Louisiana Revised Statute (R.S.) 24:515 requires the Commission to establish and maintain a master file of inventory containing the date of purchase, initial cost, the disposition, if any, and the purpose of such disposition. In addition, LAC Title 34, Part VII, Section 307(A) requires all movable property having an original acquisition cost of \$1,000 or more be tagged with a uniform State of Louisiana identification tag.

- The Commission did not designate a records officer, create document retention schedules, or submit retention schedules to the state archivist as required by state law. Louisiana R.S. 44:411 requires the Commission to submit document retention schedules to the state archivist outlining retention periods by record series, and other requirements, including the annual designation of a records officer.
- The Commission did not ensure that all employees obtained the ethics and sexual harassment training required by state law. Based on our review of ten Commission members' and employees' compliance with required ethics training, the Commission could not provide two (20%) certificates of completion. Based on our review of five Commission members' and employees' compliance with required sexual harassment training, the Commission could not provide one (20%) certificate of completion.

R.S. 42:1170 requires that all public servants receive a minimum of one hour of education and training on the Louisiana Code of Governmental Ethics during each year of public employment or term in office. R.S. 42:343 requires that public servants receive one hour of training on preventing sexual harassment during each full calendar year of public employment or term of office.

Management was not aware of the asset management and document retention laws and regulations and did not establish policies and procedures to ensure compliance by all Commission members and employees regarding required ethics and sexual harassment training.

Failure to comply with these laws and regulations increases the risk that movable property items will be misreported, lost, and/or stolen; that documents will not be properly retained; and that required training will not be completed.

Management should establish written policies and procedures that provide supervisory oversight to ensure that the Commission's records are accurate and complete by establishing an inventory of assets, ensuring the tagging of movable property items, establishing a document retention schedule, designating a records officer, and submitting proper documentation to the State Archivist. In addition, management should establish written policies and procedures that ensure required training is being completed and ensure adequate documentation is maintained to support compliance with state laws. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 2-3).

## Weaknesses over Employee Benefits

The Commission failed to establish adequate controls over employee benefits to ensure that contributions for retirement, insurance, and deferred compensation were accurate, elections were supported with documentation within the personnel file, and remittances were made in compliance with applicable laws and regulations or other established due dates to benefit providers. Lack of adequate controls increases the risk of employee error or fraud and could ultimately impact employees' insurance coverages, investment earnings, and future retirement benefit payments. In addition, the Commission could be held liable for inaccurate deduction amounts and potential late penalties.

We reviewed pay periods from October 2022 to June 2023 for all employee benefits. We noted the following:

- Five of nine (55.6%) monthly payments to the Louisiana State Employees Retirement System for employee and employer contributions were not paid timely, ranging from 1 to 13 days late.
- Three of nine (33.3%) monthly payments to the Office of Group Benefits (OGB) for health and life insurance premiums were not paid timely, ranging from 11 to 100 days late. In addition, employee withholdings for premiums were not updated timely to reflect the new plan year rate increases, consisting of five bi-weekly pay-periods using the wrong rates.
- During October 2022 through December 2022, the Commission withheld deferred compensation; however, due to the Commission working to get the accounts set up with the administrator, the funds were not paid to the administrator until February 2023. Even after the accounts were set up, three of six (50%) monthly payments were not paid timely, ranging from 8 to 57 days late.
- All payments (100%) to a non-state life insurance provider were not paid timely, ranging from 7 to 59 days late.
- Two personnel files did not include documentation of the employees' elections for supplemental life insurance, deferred compensation, nor flexible spending accounts.

Adequate internal controls are intended to ensure that deductions and payments for employee benefits are accurate, elections are supported by documentation within the personnel file, and contributions are timely remitted to providers based on the following criteria:

- R.S. 11:531 requires retirement contributions to be remitted within fifteen days after the close of each calendar month.

- LAC Title 32, Part I, Chapter 11, Section 1101(B) requires OGB health and life contributions to be remitted within 30 days of invoice receipt.
- LAC Title 32, Part VII, Chapter 3, Section 317.3 requires deferred compensation contributions be remitted within 15 business days following the month compensation is deferred.
- Premiums for non-state life insurance are required to be submitted by the invoice due date.

Management should create written policies and procedures to implement internal controls to ensure that withholdings from employee paychecks are accurate, elections are supported by documentation within the personnel file, and timely remitted in accordance with applicable laws and regulations or established due dates of the benefit providers. Management partially concurred with the finding and is in the process of establishing adequate internal controls (see Appendix A, pages 4-5).

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### **Bank Reconciliations over the Commission's Operations, Revenue Collections and Distributions**

The Commission's revenue collections consist of sales and use taxes from remote sellers, and R.S. 47:340(E)(2) requires the Commission to distribute those collections to the appropriate state or local collector. The Commission maintains an operating account and two other bank accounts for collections and distributions. The cash balances at June 30, 2022, and 2023 per the Commission's Annual Fiscal Reports were \$44,158,801 and \$54,104,842, respectively. We agreed the collections reported in the annual fiscal report to the bank statements and to the Commission's collection system reports. We also reviewed the SOC 1 Type 2 report for the service organization's controls over the completeness and accuracy of collections and distributions. During our review, we noted that the Commission did not timely reconcile bank balances to the accounting records (see "Inadequate Controls over Bank Reconciliations" in the Current-report Findings section).

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### **Payroll and Employee Benefits**

The Commission began administering its payroll function for the payroll period ending October 2, 2022. Payroll costs comprised approximately 46% of the Commission's expenditures in fiscal year 2023. We obtained an understanding of the Commission's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, the Commission had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

We also obtained an understanding of the Commission's controls over withholding and remitting premiums for employee benefits to providers and reviewed selected



withholdings from employees and remittances to benefit providers. Based on the results of our procedures, the Commission did not have adequate controls in place to ensure withholdings were accurate, elections were supported with documentation within the personnel file, and remittances were timely made to benefit providers (see “Weaknesses over Employee Benefits” in the Current-report Findings section).

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### **Ethics and Sexual Harassment Training**

We evaluated evidence to determine if required ethics and sexual harassment training was completed by the Commission’s members and employees. We determined that two employees did not complete the required annual ethics training and one employee did not complete the required sexual harassment training (see “Noncompliance with State Laws and Regulations over Asset Management, Record Retention, and Training” in the Current-report Findings section).

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### **Movable Property**

We performed procedures to determine if the Commission implemented policies and procedures to comply with movable property laws and regulations outlined in R. S. 24:515 and LAC Title 34, Part VII, Section 307(A). Based on our procedures, we determined that the Commission did not comply with movable property laws and regulations (see “Noncompliance with State Laws and Regulations over Asset Management, Record Retention, and Training” in the Current-report Findings section).

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### **Record Retention**

We performed procedures to determine if the Commission implemented policies and procedures to comply with record retention laws outlined in R.S. 44:411(A)(1). Based on our procedures, we determined that the Commission did not comply with record retention laws (see “Noncompliance with State Laws and Regulations over Asset Management, Record Retention, and Training” in the Current-report Findings section).

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### **Trend Analysis**

We compared the most current and prior-year financial activity using the Commission’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Commission’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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RSCS2023



## **APPENDIX A: MANAGEMENT'S RESPONSES**

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SALES AND USE TAX COMMISSION  
FOR REMOTE SELLERS

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June 10, 2024

Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

Dear Mr. Waguespack,

The Louisiana Sales and Use Tax Commission for Remote Sellers is in receipt of the finding titled "Inadequate Controls over Bank Reconciliations."

The Commission concurs with this finding. As stated in the audit report, this is a repeat finding for the Commission. The original finding, however, centered on the incompleteness of bank reconciliations for the Commission's three bank accounts. The current finding acknowledges that the bank reconciliations were completed although not within the timeliness standard defined in the audit as 60 days.

The Commission has engaged external accounting support to provide the complex services needed to perform our reconciliations. We have chosen to have our bank reconciliations conducted during a larger reconciliation process that includes our monthly sales tax distributions, bank deposits, and our system of record for sales tax receipts. This process has taken some time to develop and work through which has contributed to the longer reconciliation times.

We continue to work with our financial services contractor to identify methods to improve the timeliness of the reconciliations, including the purchase of additional software and the creation of system generated reports. We believe this improved process will result in bank reconciliations being completed in a timely manner.

If you have any additional questions or seek an update of the bank reconciliation process please contact me at 225.219.7051 or [renee.roberie@la.gov](mailto:renee.roberie@la.gov).

Sincerely,

Renée Ellender Roberie  
Executive Director  
Louisiana Sales and Use Tax Commission for Remote Sellers

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SALES AND USE TAX COMMISSION  
FOR REMOTE SELLERS

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June 10, 2024

Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

Dear Mr. Waguespack,

The Louisiana Sales and Use Tax Commission for Remote Sellers is in receipt of the finding titled "Noncompliance with State Laws and Regulations over Asset Management, Record Retention, and Training."

The Commission concurs with this finding. The procedural audit conducted by the Legislative Auditor's Office covered the two fiscal years beginning July 1, 2021 and ending June 30, 2023. When the Commission was initially created, the Louisiana Department of Revenue (LDR) agreed to cover the Commission's start-up costs including software development, personnel costs, operating costs and all other associated costs. During the audit time period the Commission had completed reimbursing LDR for those start-up costs and was transitioning into covering all of these functions and the costs associated on its own. This required the Commission to acquire various necessary services and other items to operate including payroll services, office space, furniture, computer equipment and additional staff. The Commission also had to establish a relationship separate from LDR's relationship with the state Office of Technology Services, the state Office of Telecommunications, the Office of State Procurement, the Office of Civil Service, the Office of Risk Management and various other state entities.

In addition, the Commission was operating with three staff members until October 2022 due to hiring constraints while still under LDR. The priority with the limited staff was to meet our statutory responsibilities regarding the collection and distribution of remote sellers' sales tax on behalf of state and local government during an unprecedented time of growth in the number of taxpayers registering and filing with the Commission.

During the current fiscal year, 2023-2024, the Commission has reached out to the Louisiana Property Assistance Agency and the Louisiana State Archives to begin the process of becoming compliant with the state laws over asset management and record retention. We are working with those agencies to complete the necessary forms, documentation and any additional work that is necessary to be in full compliance.

The Commission has also recently hired administrative staff to assist the Executive Director with the administration of the Commission. During the audit period the Commission was transitioning from LDR where Human Resources staff maintained training completion logs and sent reminders to staff on a regular basis to ensure all training was complete. The addition of administrative staff will provide for the necessary additional

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capacity to establish procedures that will ensure requirements such as training are completed in the future. The Commission expects to be fully compliant with training requirements in the current year.

If you have any additional questions or seek an update of where the Commission is regarding compliance with state laws and regulations over asset management, record retention and training please contact me at 225.219.7051 or [renee.roberie@la.gov](mailto:renee.roberie@la.gov).

Sincerely,

A handwritten signature in blue ink that reads "Renée Ellender Roberie".

Renée Ellender Roberie  
Executive Director  
Louisiana Sales and Use Tax Commission for Remote Sellers

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June 10, 2024

Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

Dear Mr. Waguespack,

The Louisiana Sales and Use Tax Commission for Remote Sellers is in receipt of the finding titled "Weaknesses over Employee Benefits."

The Commission partially concurs with this finding. The procedural audit conducted by the Legislative Auditor's Office covered the two fiscal years beginning July 1, 2021 and ending June 30, 2023. When the Commission was initially created, the Louisiana Department of Revenue (LDR) agreed to cover the Commission's start-up costs, including hiring the initial Commission employees through LDR and managing the personnel functions including benefit coverage. During the audit time period, the Commission had completed reimbursing LDR for those start-up costs and was transitioning into covering all of these functions and the costs associated on its own. This required the Commission to engage a payroll company and establish accounts and relationships with the various benefit companies which included not only the Office of Group Benefits but the additional products authorized by the Office of State Uniform Payroll.

It is critical to point out that employees had access to their benefits during this period. The pay periods reviewed were from the initial months when the Commission began managing payroll and benefits on their own without the assistance from LDR's Human Resources department or the Office of State Payroll. The administrative challenges establishing accounts and payment methods with the eight different benefit providers were backend issues that did not impact employee coverage.

While the Commission concurs that adequate controls need to be in place, it also would like to share the challenges of creating and implementing these and other controls and functions since its inception. The Commission's creation has been accomplished with no roadmap to guide this process, solely acquiring its required operational and capital needs including payroll services, office space, furniture, computer equipment, and additional staff. The Commission also had to establish relationships separate from LDR's with the state offices of Technology Services, Telecommunications, Procurement, Civil Service, Risk Management, and various other state entities. Moreover, the Commission was operating with three staff members until October 2022 due to hiring constraints while still under LDR.

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Despite limited staff and multiple moving pieces, the priority of meeting our statutory responsibilities was accomplished. For FY2022-23, approximately \$450 million in sales tax was collected from remote sellers and distributed promptly to the state and local governments during a time of unprecedented growth in the number of taxpayers registering and filing with the Commission. This growth has been sustained as the Commission continues to proudly perform this duty on behalf of over 400 taxing jurisdictions across the state.

If you have any additional questions or seek an update of where the Commission is in establishing adequate controls over employee benefits please contact me at 225.219.7051 or [renee.roberie@la.gov](mailto:renee.roberie@la.gov).

Sincerely,

Renée Ellender Roberie  
Executive Director  
Louisiana Sales and Use Tax Commission for Remote Sellers



## APPENDIX B: SCOPE AND METHODOLOGY

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We performed certain procedures at the Louisiana Sales and Use Tax Commission for Remote Sellers (Commission) for the period from July 1, 2021, through June 30, 2023. Our objective was to evaluate certain controls the Commission 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 the Commission's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Commission's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Commission'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 the Commission.
- Based on the documentation of the Commission's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to bank reconciliations over the Commission's operations, revenue collections and distributions; payroll and employee benefits; ethics and sexual harassment training; movable property; and record retention.
- We compared the most current and prior-year financial activity using the Commission's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the Commission'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 the Commission, and not to provide an opinion on the effectiveness of the Commission'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.