

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Board of Tax Appeals
Executive Department
State of Louisiana
Baton Rouge, Louisiana**

July 9, 1997

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**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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**BOARD OF TAX APPEALS
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated May 7, 1997**

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.

July 9, 1997



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June 17, 1997

**BOARD OF TAX APPEALS
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1997, we conducted certain procedures at the Board of Tax Appeals. Our procedures included (1) a review of the board's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1997, and June 30, 1996; and (4) a review of compliance with prior year report recommendations.

The Annual Financial Reports of the Board of Tax Appeals are not within the scope of our work, and, accordingly, we offer no form of assurance on these reports. The board's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected board personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. We noted that the size of the board's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial. In addition, after analyzing the data, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the Board of Tax Appeals dated April 5, 1995, we reported a finding relating to inadequate segregation of duties. That finding is addressed again in this report.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Lack of Invoices for Legal Services

The Board of Tax Appeals did not require nor obtain monthly invoices to support payments made under a legal services contract. Good internal controls require that an

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BOARD OF TAX APPEALS EXECUTIVE DEPARTMENT STATE OF LOUISIANA

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invoice supporting the hours worked by the contractor be submitted before payment is made.

The legal services contract provides for the attorney to be paid at the rate of \$125 per hour, with payments not to exceed \$792 monthly and \$9,500 yearly. However, the contract does not contain a provision requiring the attorney to submit an invoice to support the hours actually worked each month. Total unsupported payments made by the board for legal services under this contract were \$9,500 in fiscal year 1996, and \$7,125, as of March 1997, for fiscal year 1997.

The Board of Tax Appeals should amend its legal services contract to require the contracted attorney to submit monthly invoices documenting the hours worked. In addition, the board should ensure that all future professional services contracts contain provisions requiring that invoices be submitted supporting the contract services rendered. In a letter dated June 17, 1997, Mrs. Evelyn Gravel, Chairperson of the board, stated, "The value of Charles Malone's services to the Board of Tax Appeals is substantially in excess of his contract allowance based upon his expertise and time spent on legal matters for us.

"Mr. Malone meets with the Board for two full days of hearing per month. Prior to that he spends many hours preparing for those hearings. He also advises and consults with the Chairman and Board members about various matters affecting the business of the Board during the month. As you can see, only one day of meeting with the Board would more than cover his contract.

"However, in light of the concerns of the auditor we will, in the future, require Mr. Malone to submit a monthly invoice to the Board."

Untimely Deposit of Checks

The Board of Tax Appeals did not deposit timely in the State Treasury, funds received for filing fees and copying charges, as required by Louisiana law, and did not reconcile the funds received to the amounts deposited in the bank. Louisiana Revised Statute 49:306 requires that all moneys received by the board be deposited immediately in the State Treasury. Good internal controls require that moneys received be reconciled to amounts deposited in the bank.

During fiscal year 1996, the board received 131 checks totaling \$18,584 for filing fees and charges for copies of documents. Ninety-seven of the checks, totaling \$13,684 (73.6 percent), were deposited from 12 to 119 days after the date of the check. For

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fiscal year 1997, through April 30, 1997, the board received 139 checks, totaling \$20,107. Of these, 101 checks, totaling \$14,694 (73.1 percent), were deposited from 11 to 124 days after the date of the check. Failure to deposit funds timely results in the state losing interest on the funds, and failure to reconcile funds received to the bank deposits increases the risk that the funds could be lost or stolen.

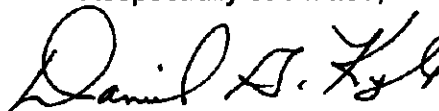
The Board of Tax Appeals should deposit all funds immediately upon receipt and should reconcile those receipts to the bank deposits. In a letter dated June 17, 1997, Mrs. Evelyn Gravel, Chairperson of the board, stated, "We concur that checks received by the Board of Tax Appeals for filing fees or for copying services should be deposited immediately and be reconciled to the bank deposit.

"There are occasions when checks must be returned to sender, which apparently contributed to the delay in depositing in the past. However, corrective steps have been taken, and when checks are received they are immediately deposited, and refunds will be issued when and if it becomes necessary."

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the board. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the board should be considered in reaching decisions on courses of action. The findings relating to the board's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

RLT:THC:dl

[TAXAP]