

LOUISIANA TAX COMMISSION  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED MAY 24, 2021

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# Louisiana Legislative Auditor



## Louisiana Tax Commission

May 2021

*Audit Control # 80210025*

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## Introduction

The primary purpose of our procedures at the Louisiana Tax Commission (LTC) was to evaluate certain controls LTC 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

We evaluated LTC'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 LTC's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to revenue, payroll expenditures, and non-payroll expenditures including travel expenditures, professional service contracts, and purchase orders.

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### Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in LTC's procedural report dated July 17, 2019. We determined that management has resolved the prior-report findings related to Inadequate Controls over Check Receipts, Inadequate Controls over Travel Expenditures, and Inadequate Controls over LaCarte Card Purchases.

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### Revenues

We reviewed Title 47 of the Louisiana Revised Statutes to identify fees that LTC is authorized to assess and collect, which includes assessment fees. Total assessment fee collections during our engagement period represent 99% of total revenues. Therefore, we reviewed a sample of assessment fees to determine if LTC is collecting the identified revenues. Based on the results of our procedures, LTC had adequate controls in place to ensure that fees were assessed in accordance with law and revenue collections were timely deposited and properly recorded.

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## **Payroll**

Salaries and related benefits comprise over 75% of LTC's expenditures in fiscal years 2020 and 2021. We obtained an understanding of LTC's controls over the time and attendance function and reviewed selected employee time statements and leave records for the period July 1, 2019, through February 24, 2021. Based on the results of our procedures, LTC had adequate controls in place to ensure employee certification of time statements, review and approval of employee time statements including leave requests, leave taken was properly accounted for, employees were paid for the amounts authorized; and reviews of time entry were performed.

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## **Travel Expenditures**

LTC has three controlled billed accounts (CBA) for airfare, hotels, and conference registrations. Due to the inherent risks associated with these accounts, we obtained an understanding of LTC's related policies and procedures. We analyzed CBA account transactions as well as other travel expenditures for the period July 1, 2019, through March 17, 2021, to identify any unusual or risky transactions. Based on the results of our procedures, LTC has adequate controls to ensure that travel expenditures were properly approved and for proper business purpose; sufficient documentation was maintained to support the expenditure; and there was evidence of review by accounting.

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## **Professional Service Contracts**

We obtained an understanding of LTC's procedures and controls over procurement of professional services. LTC had two professional service contracts for legal and consulting services during fiscal years 2020 and 2021. We examined both contracts and reviewed monthly reports that detailed work performed by the contractors. Based on the results of our procedures, LTC has adequate controls to ensure that professional services were properly procured in accordance with state regulations; reasonable and necessary expenditures of public funds; adequately monitored; and properly coded in accounting records.

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## **Purchase Orders**

We obtained an understanding of LTC's procedures and controls over purchase orders in fiscal year 2020 and 2021. We examined and reviewed purchase orders to determine that LTC had adequate control to ensure compliance with policies over purchase orders and complied with those policies. Based on the results of our procedures, LTC had adequate controls to ensure that purchases were approved and made in accordance with policy, sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

## Trend Analysis

We compared the most current and prior-year financial activity using LTC's Annual Fiscal Reports and/or system-generated reports, and obtained explanations from LTC's management for any significant variances, as necessary. We also prepared a five-year trend analysis of assessment fee revenue by fiscal year.

Assessment fee revenue increased in fiscal year 2019, as the fee for assessment of insurance companies and financial institutions increased from .015% to .03%. Otherwise, assessment fee revenue has been increasing at a rate of approximately 2-3% over the last five fiscal years.

### Assessment Fee Revenue by Fiscal Year Five-Year Trend (As of May 5, 2021)



Source: Statewide Accounting System - ISIS

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

Respectfully submitted,

*Ernest Summerville Jr.*

Ernest F. Summerville, Jr., CPA  
First Assistant Legislative Auditor

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## APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Tax Commission (LTC) for the period from July 1, 2019, through May 13, 2021. Our objective was to evaluate certain controls LTC 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 LTC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The LTC's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LTC'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 LTC.
- Based on the documentation of LTC's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to revenue, payroll expenditures, and non-payroll expenditures including travel expenditures, professional service contracts, and purchase orders.
- We compared the most current and prior-year financial activity using LTC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LTC's management, as necessary, 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 LTC, and not to provide an opinion on the effectiveness of LTC'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.