



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

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## LOUISIANA DEPARTMENT OF REVENUE

The state Department of Revenue paid almost \$22.6 million more than it should have in interest from lawsuit settlements to two corporate taxpayers as a result of “interest calculation errors,” a report released Monday by Legislative Auditor Daryl Purpera said.

In a management letter to the agency, Purpera’s Financial Audit Services said that the two interest overpayments were for \$1,818,768 and \$20,769,039. “In both cases the department was unaware of the errors until the taxpayers recognized the mistakes and returned the overpayments,” the report said.

The department, which assesses and collects taxes, penalties and interest due the state, “did not have effective controls in place during fiscal year 2014 to ensure that interest on refunds from legal settlements was accurately calculated, resulting in two corporate refund overpayments totaling \$22,587,807.”

Auditors said that the department’s written policy for refunds in excess of \$5 million requires “five levels of review and approval before refund payments are issued to a taxpayer. . . These two refunds passed five levels of review and approval” and were still issued with the interest overpayments.

The state auditor recommended that the Department of Revenue should “improve the design and execution of its refund approval process to ensure that an adequate review is performed before the issuance of refunds.”

The report also found that the agency did not have effective controls over the use of its LaCarte Card, a state-issued credit card used in making purchases for the department during the last fiscal year, “resulting in unauthorized purchases, inadequate documentation, an increased risk of errors and fraud, and non-compliance with state guidelines.”

A review of 33 monthly statements for 21 cardholders, including one for the Office of Alcohol and Tobacco Control – which is overseen by the revenue agency – showed that 14 contained \$42,412 in purchases made without “adequate supporting documentation” to prove proper approval of the purchase or verification of the receipt of the items bought.

Of the seven monthly statements for the ATC cardholder, auditors found that two included multiple items “totaling \$1,368 that were purchased using another employee’s Amazon.com



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account and delivered to that employee's personal address." One of the items was a \$980 gaming desktop computer, the report said.

A total of 22 monthly statements for purchases totaling \$65,572 did not have evidence of a timely review and approval by a revenue department supervisor to support payments of items bought, the state auditor's report said.

Auditors recommended that department officials should consider suspending cardholder privileges at the agency "when established procedures are not followed by both the cardholder and the supervisor."

The management letter also said the department understated refunds to be paid by \$20 million and pending litigation by \$116 million on its 2014 annual fiscal report. It also cited the agency for not having "an effective internal audit function, increasing the risk that errors and/or fraud could occur and remain undetected."

State law requires agencies that are appropriated at least \$30 million have an internal audit function. The Department of Revenue in the 2014 fiscal year received more than \$82 million from the Legislature.

The department's "internal audit division did not perform any projects focused on the identification, operation, review and/or improvements of internal controls for fiscal year 2014," the state auditor said. "Audits listed by LDR as audits in progress during fiscal year 2014 were actually performed in 2012 and 2013, closed before fiscal year 2014 began, and were awaiting review."

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**On Twitter:** Calculation error results in \$22.6 million in overpaid interest by LDR.