

LOUISIANA TAX FREE SHOPPING COMMISSION  
DEPARTMENT OF REVENUE

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED NOVEMBER 16, 2016

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Louisiana Tax Free Shopping Commission

November 2016

Audit Control # 80160160

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### Introduction

The primary purpose of our procedures at the Louisiana Tax Free Shopping Commission (Commission) was to evaluate certain controls the Commission uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds for the period July 1, 2015, through June 30, 2016.

The Commission was established within the Louisiana Department of Revenue by Louisiana Revised Statute (R.S.) 51:1301-1316 in 1988. The Commission's purpose is to operate the Louisiana Tax Free Shopping Program, an international tourism promotion program that offers an incentive of sales tax refunds to foreign visitors on purchases made at participating merchants in order to induce increased shopping and tourism within the state.

### Results of Our Procedures

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, we performed procedures on selected controls and transactions relating to cash, revenues, credit cards, travel expenses, contracts, payroll and personnel, and budget.

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### Follow-up on Prior-year Finding

We reviewed the status of the prior-year finding reported in the Agreed-Upon Procedures report dated August 31, 2015. We determined that management has resolved the prior-year finding related to the lack of written policies for contracting.

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## Current-year Finding

### Inadequate Controls over Credit Card Purchases

The Commission did not effectively implement controls over credit card purchases, resulting in an increased risk of error and fraud. The Commission maintains six active Visa credit card accounts under the names of individual employees; however, the Commission does not have written policies and procedures related to credit card purchases and did not require adequate review of purchases. In our review of 10 transactions, we found:

- No evidence of management review for any of the purchases examined totaling approximately \$1,300.
- For two of the 10 transactions, we found no documentation of the business purpose. These two purchases were for a \$25 K-Mart Visa gift card and two \$50 Macy's gift cards.

Additional procedures were performed and identified the following:

- Transactions totaling \$8,525 were charged for travel, transportation, and restaurant expenditures, in violation of state policies that require the use of the LaCarte Purchasing Card (p-card), Travel Card, or agency CBA account for these types of purchases.
- We found 19 personal charges totaling \$441 charged by one cardholder. The cardholder was required to repay the charges to the Commission; however, after repetitive incidents, the card had not been suspended.
- The Commission paid a \$20 monthly maintenance fee for the PEX card program rather than utilizing the state's p-card program.

State purchasing policies require that the Commission maintain written policies for credit card purchases and support each purchase with evidence of business or public purpose. Additionally, state travel regulations require all high cost travel expenditures such as airfare, lodging, vehicle rentals, and registrations to be placed on the LaCarte Purchasing Card, Travel Card, or agency CBA account.

The Commission should ensure that all credit card transactions are properly approved and documented and should adopt written policies and procedures related to credit card purchases. Furthermore, management should monitor established controls to reduce the risk of error and fraud. In the event of non-approved purchases, the Commission should document counseling of the employee in writing as required in the LaCarte card policy and consider revocation of the card if the employee is a repeat offender. Management concurred with the finding and provided a plan of corrective action (see Appendix A).

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## **Other Results of Our Procedures**

### **Cash**

The Commission maintains operating and refund accounts that are used for general operations and visitor refunds, respectively. Three staff participate in cash collection, disbursement, and reconciliation activities. Cash balances totaled \$226,506 at April 30, 2016. We performed procedures to reconcile cash transactions to the Commission's general ledger, evaluated the segregation of duties between Commission staff, and confirmed the timely preparation of bank account reconciliations. No exceptions were noted.

### **Revenues**

Approximately 93% of the Commission's revenue collections are handling fees charged to international travelers for processing sales tax refunds. We traced selected handling fees to supporting documentation to ensure the appropriate fees were collected in accordance with the fee schedule established by the Commission. No exceptions were noted.

### **Credit Cards**

The Commission has six credit cards that are used by the director and other staff for travel and small purchases. We traced selected credit card purchases to supporting documentation and evaluated compliance with laws and regulations. During our review, we noted that there are inadequate controls over credit card purchases and have reported a finding in this report.

### **Travel Expenses**

Travel expenses include conference travel for management, as well as reimbursement of travel expenses for employees to attend meetings. Fiscal year 2016 travel expenses totaled \$43,905 through April 30, 2016. We traced selected travel expense reimbursements to supporting documentation and evaluated compliance with laws and regulations. No exceptions were noted.

### **Contracts**

The Commission contracted with Macy's, Heinz and Macaluso LLC, and others for office space, staffing, and accounting services. Fiscal year 2016 contract expenditures totaled \$22,522 through April 30, 2016. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No exceptions were noted.

### **Payroll and Personnel**

Approximately 61% of the Commission's expenditures relate to payroll costs. Commission personnel include the director, assistant director, and approximately 15 administrative employees. We traced selected employees' salaries to contract terms or pay structure, evaluated controls over time and attendance records, and evaluated termination payments. No exceptions were noted.

### **Budget**

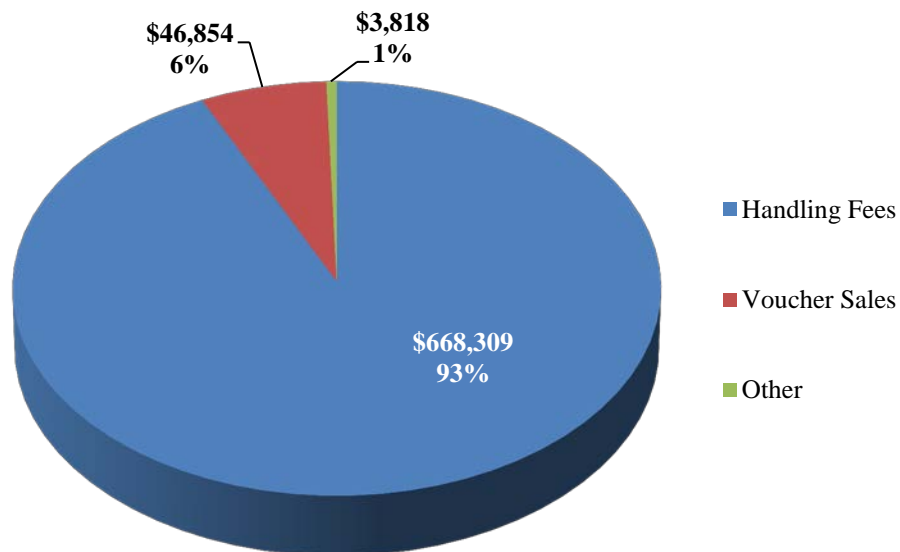
The Commission annually adopts a budget by majority vote of its board of directors. The budget for the year ended June 30, 2016, was approximately 32% higher than the previous year because of increases in payroll and advertising costs. We confirmed the adoption of the Commission's budget and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. No exceptions were noted.

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### **Comparison of Activity between Years**

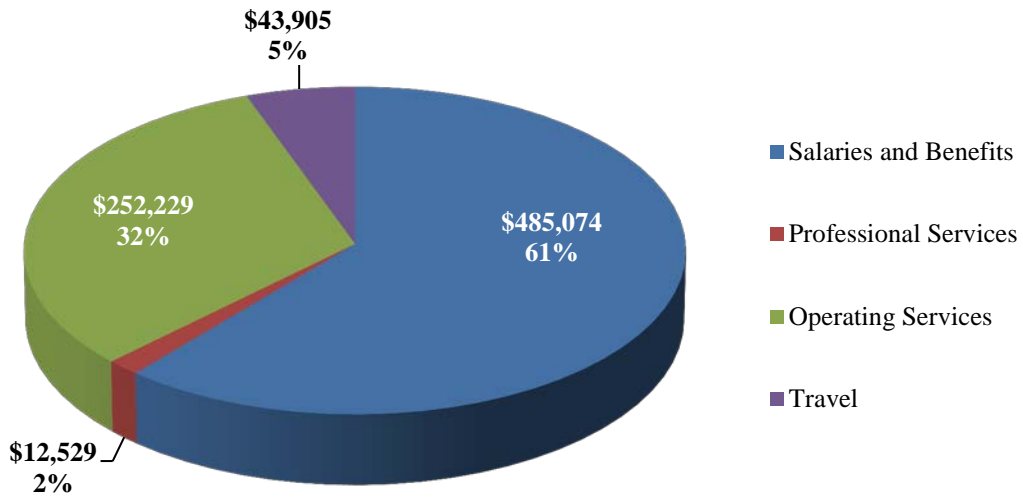
We compared the most current and prior-year financial activity using the Commission's general ledger and other system generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Commission's fiscal year 2016 cash basis revenues and expenditures through April 30, 2016.

**Fiscal Year 2016 Revenues, as of April 30, 2016**



Source: Commission's General Ledger

**Fiscal Year 2016 Expenditures, as of April 30, 2016**



Source: Commission's General Ledger

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

Respectfully submitted,  
*Daryl G. Purpera*  
Daryl G. Purpera, CPA, CFE  
Legislative Auditor

SDS:EMS:BQD:EFS:aa

LTFS 2016





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





FOR INTERNATIONAL VISITORS

**Louisiana Tax Free Shopping**  
1450 Poydras Street, Suite 800  
New Orleans, LA 70112  
(504) 568-5249 phone (504) 568-2280 fax  
[www.louisianataxfree.com](http://www.louisianataxfree.com)



October 31, 2016

Mr. Daryl G Purpera, CPA, CFE  
Legislative Auditor  
Office of the Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Mr. Purpera,

The Commission agrees with the audit findings and recommendations and is taking the following actions to address issues of controls and management oversight. Corrective actions will be verified and documented by the Chairman of the Louisiana Tax Free Shopping Commission.

1. The Commission has considered the business necessity for the prepaid agency card used and it was determined unnecessary and was immediately canceled.
2. The Commission has terminated the use of the agency credit cards which are not in compliance with State Travel and Purchase Card regulations.
3. The Commission will require immediate training for executive staff of the agency on Policy and Procedure Memorandum 49 (PPM49). Training to be completed by December 31, 2016.
4. The Commission will require immediate training for executive staff of the agency on Louisiana Revised Statutes Title 39:1551-1755 which provides for the laws governing the procurement of all goods, services, and major repairs required by state agencies. Training to be completed by December 31, 2016.
5. The Commission will assign the agency's risk management coordinator to approve all purchases made by the agency with the use of the state issued credit cards and CBA account.
6. The Commission is immediately requiring that all travel purchases made by the executive director have prior approval from the appointing authority for the agency.
7. The Commission has immediately suspended credit card privileges permanently for employees that violate the regulations of PPM 49 and LARS: 39:1551-1775

The Commission notes that the \$8,525 in transactions documented had a legitimate business purpose and included a detailed receipt of the transactions.

The Commission notes that the three gift card transactions did have business purpose as was represented in email correspondence.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Windham", is written over a horizontal line.

Steven L. Windham, CEcD, CPA Inactive  
Chairman  
Louisiana Tax Free Shopping Commission



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Tax Free Shopping Commission (Commission) for the period from July 1, 2015, through June 30, 2016. Our objective was to evaluate certain internal controls the Commission uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are 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 Report, and accordingly, we do not express an opinion on that report. 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 control 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, we performed procedures on selected controls and transactions relating to cash, revenues, credit cards, travel expenses, contracts, payroll and personnel, and budget.
- We compared the most current and prior-year financial activity using the Commission's general ledger and other system generated reports and obtained explanations from the Commission's management for any significant variances.

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.