

BOARD OF TAX APPEALS
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED AUGUST 5, 2009

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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$13.70. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor’s Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3311 or Report ID No. 80090031 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

July 15, 2009

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

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Board of Tax Appeals (board) for the period from July 1, 2007, through July 15, 2009. Our procedures included (1) a review of the board's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected board personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data based upon the application of the procedures referred to previously, we noted that the size of the board's operation 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, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the board were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The board's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

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

Weaknesses in Controls Over Payroll

The board did not review and approve employees' time sheets and leave requests timely. Time sheets and leave taken are approved on a monthly basis by the chairman of the board after the payroll has been processed. Also, the board does not have a written policy for payroll relating to hours of work and required breaks.

Good internal control over payroll should include an adequate supervisory review to ensure that time and attendance (including leave) are accurate and reliable so that errors and/or fraud are detected timely before payroll is processed; authorization for all leave is obtained in writing in advance; and documentation of actual hours worked is maintained.

Failure to implement a written payroll policy that ensures timely review and approval of employees' time sheets and leave requests increases the risk that errors and/or fraud could occur and remain undetected. Failure to implement a written payroll policy regarding hours of work and required breaks increases the risk that employees are not meeting the expectations of management.

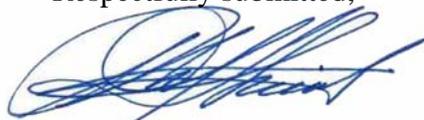
Management should strengthen its existing payroll policies and procedures to ensure that employees' time sheets are timely reviewed and approved before payroll is processed and that all leave requests are documented in writing and are approved in advance. In addition, management should update the board's payroll policy to address hours of work and required breaks. Management concurred in part with the finding noting that employees notify the department head of sick days and leave time as they occur and fraud and/or abuse would be detected timely during the chairman's monthly review of payroll (see Appendix A).

Additional Comments: Although the staff size is small, payroll should be approved bi-weekly before payroll is processed and leave requests should be documented in writing and approved in advance of the leave.

The recommendation in this letter represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the board. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the board should be considered in reaching decisions on courses of action.

This report is intended solely for the information and use of the board, its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

LM:BH:EFS:PEP:dl

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



MITCHELL R. THERIOT
Chairman
RICHARD H. YOUNG
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STATE OF LOUISIANA BOARD OF TAX APPEALS

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June 10, 2009

Steve Theriot
Legislative Auditor
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Dear Mr. Theriot:

In response to your audit managers finding regarding "Weakness in Controls Over Payroll," I concur in part and do not concur in part.

Prior to my response, I believe it is imperative to frame the context of the Board of Tax Appeal (hereinafter referred to as Board) and its staff. The stated mission of the Board is to provide an independent board to hear and decide, at a minimum of expense to the taxpayer, questions of law and fact arising from disputes between a taxpayer and the Department of Revenue. R.S. 47:1401. The Board consists of three members appointed by the Governor and confirmed by the senate. The members meet monthly to hear testimony and oral arguments from the taxpayer and the Department of Revenue. The Board has three full time employees; i.e. a secretary/clerk of court; a fiscal officer and a clerk. R.S. 47:1404. The Board had one part time employee, however, due to budgetary constraints; beginning July 1, 2009 the part time position has been eliminated. No other staff is employed by the board. The three employees work closely together in order to carry out the Board's objectives. All employees are unclassified workers who do not fall under civil service. The secretary/clerk of court is the employee designated as the department head. The remaining two employees report to the department head.

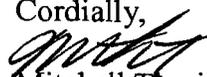
I do not concur with the part of the finding dealing with timely approval of time sheets and leave request. The board does have a written policy regarding time sheets and request for leave. The two employees inform the department head of sick days or leave time as they occur. Hours worked and leave taken are entered on a time and attendance sheet which contains the name and personnel number of the employee. Each pay period the time is entered into the payroll system. After payroll, the time entry audit report is printed and checked against the time and attendance sheet. This is all done in a timely manner to ensure the accuracy and to check for errors and/or abuse. Furthermore, as chairman, I review and sign off on payroll on a monthly basis. I have three employees to oversee. Any abuse and/or fraud would be discovered in a timely manner and dealt with swiftly.

I do concur with the finding of not having a written policy for payroll relating to hours worked. Our office is open 8:30 to 4:30 Monday through Friday and we do not close for lunch.

Our goal is to be available to the public for the filing of documents at all times. There are times when an employee may begin work earlier than 8:30 a.m. or an employee may have to assist a taxpayer after 4:30 p.m.; particularly on the days leading up to and on the days of our monthly hearings. Therefore a written policy should be adopted to cover those times. As chairman, I will work with the other board members to take corrective action. The corrective action plan will be to develop a flexible working schedule among the employees. A written policy should be adopted by the Board during the first quarter of the 2010 fiscal year.

I thank you for the opportunity to respond to the auditors concerns.

Cordially,



Mitchell Theriot

Chairman, Board of Tax Appeal