

LOUISIANA TAX FREE SHOPPING COMMISSION

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued August 16, 2023**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Louisiana Tax Free Shopping Commission



August 2023

Audit Control # 80220133

Introduction

The primary purpose of our procedures at the Louisiana Tax Free Shopping Commission (Commission) was to evaluate certain controls that the Commission uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds for the period July 1, 2021, through June 30, 2022. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

The Commission was created within the Louisiana Department of Revenue by Louisiana Revised Statute (R.S.) 51:1301-1316. 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 Commission's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to bank reconciliations, receipts and collections, payroll and personnel, and ethics and sexual harassment training. We also evaluated the Commission's compliance with certain laws and regulations.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in the Commission's procedural report dated June 22, 2022. We determined that management has resolved the prior-report findings related to lack of controls over bank reconciliations, untimely deposits of fees and sales tax reimbursements, failure to certify and approve time and attendance records, and required ethics and sexual harassment training not completed.

Current Report Findings

Poor Cash Management Practices

The Commission did not report nor remit \$149,894 in outstanding checks held for more than one year to the State Treasurer as unclaimed property, resulting in noncompliance with state law. In addition, some of these funds, which were owed to international shoppers for the refund of sales tax on eligible purchases, were spent for operations in times of cash shortages.

During our procedures, we noted that the June 2022 bank reconciliation included 359 outstanding checks dated August 31, 2019, through June 30, 2020, totaling \$21,790 that were not reported nor remitted to the State Treasurer. In addition, in response to a prior-year finding, "Lack of Controls over Bank Reconciliations," the commission researched an additional 3,180 outstanding checks dated July 1, 2016, through August 6, 2019, totaling \$128,104 and determined these were unclaimed property; however, the Commission has not reported nor remitted these items to the State Treasurer as unclaimed property.

State law (R.S. 9:159, and 9:160) requires that abandoned property, as defined by R.S. 9:154(A)(10) held by a court, state or other government, governmental subdivision or agency, public corporation, or other public authority, one year after the property becomes distributable to be reported and remitted to the State Treasurer. Good accounting controls would ensure funds that are being held for others are not spent for operations.

Current management of the Commission was unaware of the abandoned property held by the Commission until inquiry by the auditors during the prior engagement regarding the research of outstanding items in the bank reconciliations; however, the Commission has not reported nor remitted the property to the State Treasurer this past year due to the Commission operating at a deficit and using monies out of the refund account to fund operations.

Management should ensure adequate cash management practices, which would prohibit the use of funds reserved for refund obligations to fund operations. Management should also report and remit abandoned property to the State Treasurer timely to ensure compliance with state laws over unclaimed property. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Follow-up Procedures: Management's response indicated that the Commission reported and remitted unclaimed property on July 4, 2023, to the State Treasurer. We reviewed the supporting documentation provided by the Commission and determined that the Commission had submitted the appropriate amount to the State Treasurer and is current with unclaimed property reports and remittances through fiscal year 2023, and therefore, the aforementioned finding has been resolved.

Other Results of Our Procedures

Bank Reconciliations

The Commission maintains one checking account for general operations. The Commission also maintained a refund account that is used for providing international visitor sales tax refunds. Cash balances, including the refund account, totaled \$173,418 at June 30, 2022. We performed procedures to address the prior-report finding titled Lack of Controls over Bank Reconciliations by ensuring that cash balances are reconciled to the Commission's general ledger, bank reconciliations are timely prepared and adequately approved, and outstanding reconciling items are adequately researched. Based upon the results of our procedures, the Commission has adequate controls in place to ensure bank reconciliations are timely and adequately performed, including reconciling cash balances to the general ledger, researching outstanding reconciling items, and ensuring proper approval. As a result, the prior-report finding has been resolved; however, during our review of reconciling items outstanding for more than six months, we noted that the Commission did not report nor remit \$149,894 in outstanding checks held for more than one year to the State Treasurer as unclaimed property in accordance with R.S.9:154(A)(10), 9:159, and 9:160 (see "Poor Cash Management Practices" in the Current Report Findings section).

Receipts and Collections

Approximately 96% of the Commission's revenue collections were from visitor handling fees and merchant voucher book sales in fiscal year 2022. We performed procedures to address the prior-report finding titled Untimely Deposits of Fees and Sales Tax Reimbursements by ensuring deposits were made timely and agreed to recorded collections, the bank, and the general ledger. Based upon the results of our procedures, the Commission has adequate controls in place to ensure the timely deposit of fees and sales tax reimbursements. As a result, the prior-report finding has been resolved.

Payroll and Personnel

Commission personnel include the Director, an accountant, and administrative employees with salaries and related benefits totaling \$129,985 for fiscal year 2022. We performed procedures to address the prior-report finding titled Failure to Certify and Approve Time and Attendance Records by analyzing payroll system reports to determine whether electronic time sheets were certified and approved timely. Based upon the results of our procedures, the Commission has adequate controls in place to ensure the timely certification and approval of time and attendance records. As a result, the prior-report finding has been resolved.

Ethics and Sexual Harassment Training

We performed procedures to address the prior-report finding titled Ethics and Sexual Harassment Training Not Completed by reviewing evidence provided by the

Commission to ensure that required ethics and sexual harassment training was completed by the Commission's members and employees. Based upon the results of our procedures, the Commission has adequate controls to ensure the timely completion of required ethics and sexual harassment training. As a result, the prior-report finding has been resolved.

Trend Analysis

We compared the most current and prior-year financial activity using the Commission's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Board's management for any significant variances.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

LRL:EBT:BQD:ch

LTFS 2022

APPENDIX A: MANAGEMENT'S RESPONSE

Commission Members

Laura Lapeze

Undersecretary, Louisiana Department of Revenue (Chairman)

Doug Bourgeois

Assistant Secretary, Louisiana Office of Tourism

Earl J. Millet, Jr.

Governor's Designee

Lindsay Schexnayder

Chief Financial Officer, Louisiana Department of the Treasury

Tom Spiers

Commissioner – New Orleans World Trade Center



Commission Staff

Deepa C. Woods

Executive Director

Amy Hemphill,

Accountant

Louisiana Tax Free Shopping

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July 20, 2023

Michael J. "Mike" Waguespack, CPA

Louisiana Legislative Auditor

P.O. Box 94397

Baton Rouge, LA 70804-9397

RE: Louisiana Tax Free Shopping (LTFS) Response to
Poor Cash Management Practices

Dear Mr. Waguespack,

Louisiana Tax Free Shopping Commission Management concurs with the finding. Due to COVID-19 Pandemic, LTFS did not have the funds to remit unclaimed property to the State Treasurer as required by state law (R.S. 9:159 and 9:160). Until LTFS had enough funds in the bank to sustain operations, LTFS refrained from sending the funds to the State Treasurer. LTFS has made a payment of \$171,849.10 to the State Treasurer on July 4, 2023.

Going forward, LTFS will comply with state law to report and remit abandoned property one year after the property becomes distributable to the State Treasurer. LTFS Management will also ensure that funds that are being held for others are not spent for operations. The LTFS Accountant will follow the operations manual procedures and transfer handling fees as they are earned after the month has closed. LTFS Executive Director will approve and date this transfer.

Sincerely,

A handwritten signature in black ink, appearing to be "Deepa Woods", written over a horizontal line.

Deepa Woods

Executive Director

Louisiana Tax Free Shopping

CC: Elizabeth Thornton, Audit Manager
Lisa Landaiche, Senior Financial Auditor
Laura Lapeze, Undersecretary
Kevin Richard, Secretary
Amy Hemphill, Accountant

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Tax Free Shopping Commission (Commission) for the period from July 1, 2021, through June 30, 2022. Our objective was to evaluate certain controls the Commission uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and 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 bank reconciliations, receipts and collections, payroll and personnel, and ethics and sexual harassment training.
- 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.