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City Internal Auditor

**REPORT TO THE CITY  
COUNCIL  
BY THE CITY INTERNAL  
AUDITOR**

**AUDIT OF THE CADDO SHREVEPORT  
SALES AND USE TAX COMMISSION**

**INTERNAL AUDIT REPORT  
(IAR) 230016-04**

**August 19, 2016**

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**Report Highlights**

**Page(s)**

- Commission does not have a formally documented Disaster Recovery Plan.
- Commission does not utilize the financial software's check generation feature for the operational and escrow account.

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The Council  
City of Shreveport

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August 19, 2016

Councilman Willie Bradford  
Chairman, Shreveport City Council

Dear Councilman Bradford:

Subject: IAR 230016-04 – Audit of the Caddo Shreveport Sales and Use Tax Commission

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward, CPA, CIA  
City Internal Auditor

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**EXECUTIVE SUMMARY**  
**AUDIT OF THE CADDO SHREVEPORT SALES AND USE TAX**  
**COMMISSION**  
**INTERNAL AUDIT REPORT (IAR) 230016-04**

**Performance Audit:**

**Caddo Shreveport Sales and Use  
Tax Commission**

**What We Found**

The Caddo Shreveport Sales and Use Tax Commission (Commission) was overall operating efficiently and effectively. In 2015 the Commission collected sales and use taxes totaling about \$119 million and \$76 million for the City of Shreveport and Caddo Parish School Board (CPSB) respectively. These sales taxes represent approximately 54% of the City's General Fund revenue and 16% of CPSB General Fund revenue. During the Commission's 2014-2015 fiscal year (July 1, 2014 - June 30, 2015), 96 compliance audits were performed that generated over \$1.5 million in additional revenue as a result of the Commission's authority to enforce compliance with the tax laws and ensure that businesses report and pay the correct amount of taxes. Generally, we found that operational, administrative, and general information systems controls within the organization were adequate. However, we found areas that the Commission could improve to enhance controls and operational efficiency and effectiveness.

We identified the following issues:

- **The Commission does not have a formally documented Disaster Recovery Plan.**
- **The Commission does not utilize the financial software's check generating feature for the operational and escrow accounts.**

**Why We Did This Audit**

We have completed an audit of the Caddo Shreveport Sales and Use Tax Commission (Commission). This audit was conducted jointly by the City of Shreveport and Caddo Parish School Board under the supervision of the City of Shreveport Internal Audit Office. It was one of our regularly scheduled audits included in the 2015 Annual Audit Plan developed by the City Internal Auditor. Our objective was to determine if the Commission was operating efficiently and effectively.

**What We Recommended**

To improve controls and operational efficiency and effectiveness we recommend the Commission:

- Formalize in writing the Disaster Recovery Plan.
- Utilize the check generating feature of the automated financial system for the operational and escrow accounts.

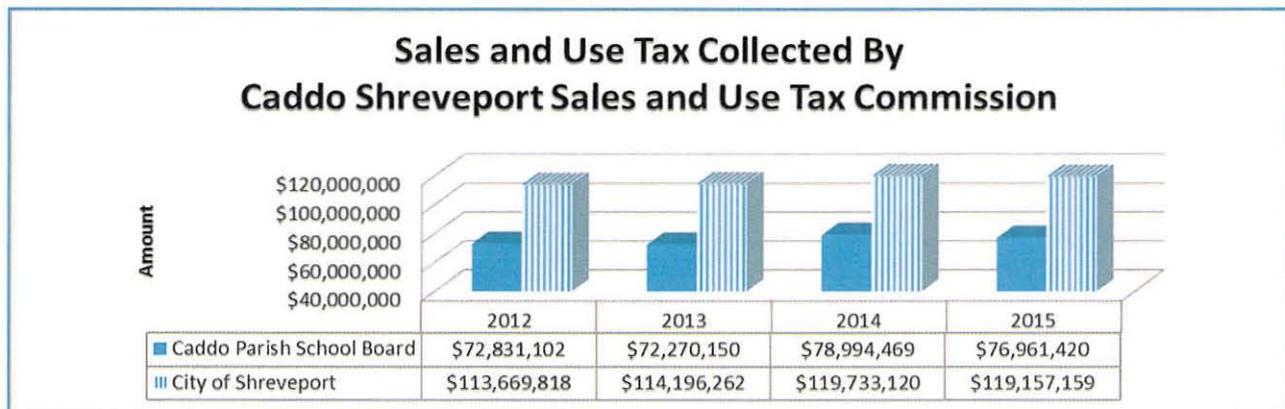
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## Introduction

In April 1980, the Commission was created by a joint agreement between the City of Shreveport and the Caddo Parish School Board under the authority of Louisiana Revised Statute (R.S.) 47:338.162 (re-designated from R.S. 33:2738.54) as an independent agency to collect, enforce, and administer sales and use taxes. The taxing authorities (e.g., City of Shreveport or Caddo Parish School Board) levy the sales and use taxes. Customers pay sales taxes to businesses in Caddo Parish on goods purchased or services received. Use taxes are paid on property that is purchased out-of-state (and no sales taxes have been paid) and brought into Caddo Parish. The Commission registers businesses who must collect the local sales and use tax from customers; provides businesses with information and forms related to sales and use taxes; receives and processes tax reports and records; accounts for and maintains records as required by law; deposits revenue received with the fiscal agent of each taxing authority served; reports revenue collected as required or requested; and enforces compliance with the tax laws by auditing businesses under its jurisdiction.



Source: Caddo Shreveport Sales and Use Tax Commission

The Commission is governed by a Board of Commissioners and has an authorized staff of 14. The four member board is comprised of the Chief Administrative Officer and Director of Finance from the City of Shreveport and the Chief Financial Officer and Director of Auditing from the Caddo Parish School Board. The 2014-2015 annual budget for the Commission was \$1,130,700. The objective(s) of this audit was to determine the following:

- Whether resources are employed efficiently and effectively.
- Compliance with laws, regulations, contract provisions, policies and procedures.
- Whether internal control over operations is effective.



**Recommendation Evaluation Risk Criteria**

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented. This report contains two findings with two recommendations.

<i><b>Risk Levels</b></i>	<i><b>Recommendations</b></i>
<p style="text-align: center;"><b>High Risk</b></p> <p>Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.</p>	None
<p style="text-align: center;"><b>Medium Risk</b></p> <p>Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.</p>	None
<p style="text-align: center;"><b>Low Risk</b></p> <p>Possibility of continuing operating inefficiencies and some low-level non-compliance issues.</p>	<ul style="list-style-type: none"> <li>➤ Commission formalize in writing the Disaster Recovery Plan <b>(Finding: Disaster Recovery Plan)</b></li> <li>➤ Commission utilize the check generating feature of the automated financial system for the operational and escrow accounts. <b>(Finding: Computer - Generated Checks)</b></li> </ul>



### **Scope and Methodology**

The scope of this audit includes Commission operating activities and financial reporting and performance occurring during the period July 2014 - December 2015. To answer our objectives, we reviewed relevant internal controls and developed audit procedures that included but were not limited to the following:

- Interviewing Commission staff
- Reviewing compliance with established or stated policies and procedures
- Reviewing Commission budget and financial reports
- Reviewing City Ordinances
- Reviewing the Electronic Data Processing (EDP) systems

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.

This audit was conducted jointly by the City of Shreveport and the Caddo Parish School Board under the supervision of the City of Shreveport Internal Audit Office.





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# **FINDINGS AND RECOMMENDATIONS**



**Objective: Determine if internal control over operations is effective**

During discussion of prior audit recommendations with the Commission's administrator it was determined that two recommendations had not been implemented, A Formal Disaster Recovery Plan and Computer – Generated Checks.

**Disaster Recovery Plan**

A Disaster Recovery Plan existed but was not documented. The informal plan addresses actions that would be taken in the event of a disaster that would interrupt the operations of the Commission.

If the Disaster Recovery Plan continues to be maintained informally, the specific plans may be lost and/or not carried out in the event of employee changes.

A Disaster Recovery Plan contributes to the assurance of continued operation of the Commission activities should the current location become inoperative. Formal documentation of the plan lessens the risks posed by personnel changes.

If a disaster occurred without a documented disaster recovery plan to follow, the Commission could be hindered in its ability to collect, process, distribute sales and use tax revenue, and enforce compliance with the tax laws without electronic or manual files. Also, there is the potential for a significant loss and or delay in receipt of revenue, inability to meet financial obligations and provide services to the public, and negative effect on the reputation of the City, CPSB and the other entities that the Commission serves.

**Recommendation 1:** A Disaster Recovery Plan be formalized and established in writing.

**Management Response:** Management agrees and will establish in writing a formal disaster recovery plan within this fiscal year 2016-2017.

**Computer – Generated Checks**

The Commission implemented a new automated financial reporting system in 2015. Although the system is capable of producing computer-generated checks, all operational and escrow account checks are currently manually completed by employees. However, all payroll checks are automatically generated from this system.



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Not using the check generating feature for all checks can lead to inefficiency of operations, processing inconsistency, and duplication of effort since the same information is keyed into system and manually documented on the actual check.

When practical and feasible, tasks should be automated to increase efficiency and effectiveness of operations.

**Recommendation 2:** Utilize the check generating feature of the automated financial system for operational and escrow accounts.

**Management Response:** Management agrees and will attempt to have automated system in place this fiscal year, 2016-2017.

Prepared by:

Handwritten signature of Tamika Ford in black ink.

Tamika Ford  
Staff Auditor III  
City of Shreveport

Handwritten signature of Lisa Paine in black ink.

Lisa Paine  
Internal Auditor  
Caddo Parish School Board

Approved by:

Handwritten signature of Leanis L. Steward in blue ink.

Leanis L. Steward, CPA, CIA  
City Internal Auditor

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- c: City Council
- Clerk of Council
- Mayor
- Caddo Shreveport Sales and Use Tax Commission Board Members
- Chief Administrative Officer
- Carr Riggs and Ingram
- Caddo Parish School Board
- City Attorney