

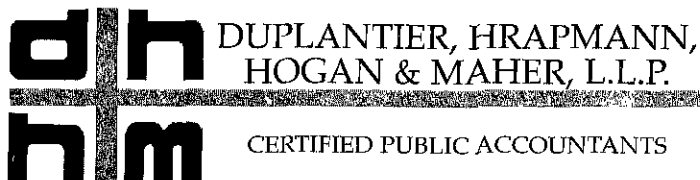
LOUISIANA TAX FREE SHOPPING COMMISSION
DEPARTMENT OF REVENUE

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES

JUNE 30, 2012

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.



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A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

September 7, 2012

Louisiana Tax Free Shopping Commission
Department of Revenue
State of Louisiana
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by Louisiana Tax Free Shopping Commission (the Commission) and the Louisiana Legislative Auditor solely to assist you with respect to the accounting records of Louisiana Tax Free Shopping Commission as of and for the year ended June 30, 2012. Louisiana Tax Free Shopping Commission's management is responsible for the company's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

GENERAL:

- 1) We determined whether there were adequate written policies and procedures for the primary financial/business functions of the entity. Written policies were obtained and reviewed for adequacy for the following financial areas:
 - Budgeting
 - Capital Assets
 - Cash Receipts and Disbursements
 - Code of ethics policy
 - Credit card policy
 - Employee reimbursement policy (travel & meals)
 - Employee sick and vacation leave policy
 - Payroll

No exceptions were noted.

GENERAL: (Continued)

- 2) We performed analytical procedures comparing current and prior year financial statements, by line item. We identified and obtained explanations for variances of 10% or greater for line items that are 10% or more of the respective total assets, liabilities, equity, revenues, or expenses as follows:

	<u>06/30/12</u>	<u>06/30/11</u>	<u>Variance</u>	<u>%</u>
<u>Cash</u>	\$308,273	\$177,292	\$130,981	73.88%

Cash reserves were built up during 2012 due to increase in revenue collections. Cash balances will fluctuate based on monthly volume of tax refunds as well as timing of monthly sales taxes reimbursed from other governmental units.

<u>Due from other governmental units</u>	\$328,241	\$444,412	\$(116,171)	(26.14%)
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The receivable amount as of June 30, 2012 was less than 2011 due to timing of sales tax reimbursements and volume of international visitor reimbursements at year-end.

<u>Other post-employment benefits payable</u>	\$177,459	\$148,059	\$29,400	19.86%
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Other post-employment benefits payable is expected to increase each year as the Commission does not fund these benefits. LTFS is on a pay as you go basis.

<u>Operating Services Expense</u>	\$136,100	\$94,886	\$41,214	43.44%
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The increase in operating services expenses was mainly attributed to the following:

- Advertising expenses increased \$8,568, or 35%. Additional promotional ads were purchased due to unanticipated excess cash reserves.
- General insurance expense increased \$10,918, or 949%, due to an employee workers compensation claim.
- Repairs and maintenance increased \$9,764 or 70%, due to a database upgrade that was approved in the prior fiscal year, but not expended until fiscal year 2012. Additionally, unexpected repairs were needed on the airport office vault.
- Rent increased \$2,673, or 25%. The Commission moved the accounting office into the refund center at the airport. Additional mini warehouse storage space was needed due to lack of office space.
- Dues and subscriptions increased \$1,759, or 28%, due to additional tourism organization memberships.
- Satellite Refund Center expense increased \$2,964, or 274%. During 2012 there was an increase in the handling fees at the remote refund center shared with Macy's.
- During the year ended June 30, 2012, the office was re-located. LTFS incurred \$3,580 in moving expenses.

CASH:

- 1) We prepared a proof of cash for the Chase Operating account, Whitney Refund account, Capital One Refund account, cash on hand at the Airport refund center and cash on hand at the Riverwalk refund center for the period July 1, 2011 through June 30, 2012.

No exceptions were noted.

- 2) We determined if cash collection responsibilities are adequately segregated to ensure that the person responsible for cash collections is not responsible for posting accounts receivable or making deposits.

No exceptions were noted.

- 3) We determined if bank reconciliations have been prepared for the period covered by the financial statements by obtaining copies of the Chase Operating, Whitney Refund and Capital One Refund bank reconciliations for the months of July 2011 through June 2012 noting evidence of management review. We also agreed the reconciled balances for the month of June 2012 to the general ledger.

No exceptions were noted

CREDIT CARDS:

- 1) We obtained a listing of all active credit cards for the period July 1, 2011 through June 30, 2012. We obtained the monthly statements for all credit cards used during the period July 1, 2011 through June 30, 2012 and selected the two cards with the most dollar amount activity. The following procedures were performed:

- We obtained supporting documentation for the largest purchase/charge shown on the selected monthly statement.
- We determined if each purchase is supported by an original itemized receipt, documentation of the business purpose or any other documentation as may be required by policy.
- We determined if the selected purchases effectively circumvented the entity's normal procurement/purchasing process.
- We determined if there was evidence of management review.

No exceptions were noted.

TRAVEL AND EXPENSE REIMBURSEMENT:

- 1) We obtained a listing of all travel and related expense reimbursements during the period July 1, 2011 through June 30, 2012 and traced to the general ledger for completeness.

No exceptions were noted.

- 2) We selected the four employees who were reimbursed the most money. We obtained all the expense reimbursement reports of each selected employee, including the supporting documentation, and chose the largest expense report to review in detail as follows:

- We determined if each expense was reimbursed in accordance with written policy and applicable laws for an appropriate and necessary business purpose relative to travel and related expenses.
- We determined if each expense was supported by an original receipt, documentation of the business purpose or other documentation as may be required by policy.
- We determined if each expense report was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The following exception was noted:

For 1 out of 4 employee expense reimbursement reports selected, the mileage reimbursement was \$10 less than the expense amount due to an unintentional error in the formula used to calculate mileage.

Recommendation:

We recommend that mileage reimbursements are properly calculated and paid.

CONTRACTS:

- 1) We reviewed the general ledger detail for the period July 1, 2011 through June 30, 2012 to identify individuals/businesses being paid for contracted services.

We selected the five highest dollar amount vendors identified and determined if there was a written contract that supports the services arrangement.

The following exception was noted:

It was noted that the N.O. Aviation Board lease expired and LTFS is paying rent on a month to month basis.

Recommendation:

We recommend that the Commission obtain a written lease agreement.

CONTRACTS: (Continued)

- 2) We obtained a listing of all active contracts and the expenses made during July 1, 2011 through June 30, 2012 and traced to the general ledger for completeness.

No exceptions were noted.

- 3) We selected for detailed review the largest dollar amount service contract, materials and supplies contract and public works contract that was entered into during the period July 1, 2011 through June 30, 2012 and performed the following procedures. It was noted that there were no supplies or public works contracts entered into during July 1, 2011 through June 30, 2012.

- We obtained copies of the selected contracts and the related paid invoices. No exceptions were noted.
- We determined if the contract is a related party transaction by obtaining management's representation. No related parties were noted.
- We determined if the transaction is subject to the Louisiana Public Bid Law or Procurement Code. It was noted that the contracts were not subject to the Louisiana Public Bid Law.
- We determined if the entity provided an open and competitive atmosphere for the work. No exceptions were noted.
- We determined if the contract was amended. No amendments were noted.
- We selected the largest payment from each of the contracts selected above and determined if the invoice(s) received and payment complied with the terms and conditions of the contract. No exceptions were noted.
- We determined if there is documentation of Board approval, if applicable. No exceptions were noted.

PAYROLL AND PERSONNEL:

- 1) We obtained a listing of employment salaries in force during the period July 1, 2011 through June 30, 2012 and traced to the general ledger for completeness.

No exceptions were noted.

- 2) We selected the five highest paid employees and performed the following procedures:

- We determined if payments issued during the period July 1, 2011 through June 30, 2012 were done in strict accordance with the terms and conditions of the contract or pay rate structure. No exceptions were noted.
- We determined if there were any changes made to the hourly pay rates / salaries during the period July 1, 2011 through June 30, 2012 and if so, we determined the changes were approved in writing and in accordance with policy. No exceptions were noted.

PAYROLL AND PERSONNEL: (Continued)

- 3) We selected attendance and leave records for one pay period in which leave was taken by at least one employee and performed the following procedures:
- We determined if all employees are documenting their daily attendance and leave.
 - We determined if supervisors approved in writing the attendance and leave of all employees.
 - We determined if the entity is maintaining accurate written leave records on all eligible employees.

The following exception was noted:

One out of four leave request forms selected for testing did not have management's signature for approval; however, it was noted that the leave request form was attached to the time card approved in writing by management. The time card included the leave amount.

Recommendation:

We recommend that leave request forms be approved by signature of management.

- 4) No final termination payments were made during the period July 1, 2011 through June 30, 2012.

BUDGET:

- 1) We obtained a copy of the budget for the fiscal year ending June 30, 2012. It was noted that the Louisiana Tax Free Shopping Commission does not have to comply with the budget act of the State of Louisiana; therefore, the budget is not legally adopted.
- 2) We traced approval of the budget to the Board minutes without exception.
- 3) We compared total revenues and total expenses of the budget to actual total revenues and expenses on the financial statements noting variances of 10% or greater as follows:

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<u>Revenue:</u>				
Handling fees	\$492,872	\$421,000	\$71,872	17.07 %
Membership fees	59,225	74,000	(14,775)	(19.97)
Voucher fees	28,721	25,000	3,721	14.88
Interest income	215	120	95	79.01
Miscellaneous income	3,763	--	3,763	100.00

BUDGET: (Continued)

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
<u>Expenses:</u>				
Travel	\$31,448	\$20,000	\$ 11,448	57.24 %
Operating Services:				
Advertising	32,931	3,000	29,931	997.71
Repairs & maintenance	23,616	10,000	13,616	136.16
Computer upgrades	--	3,080	(3,080)	(100.00)
Rent – Building	13,463	17,040	(3,577)	(20.99)
Rent – Office Equipment	2,880	1,700	1,180	69.40
Office and moving expense	3,580	--	3,580	100.00
Depreciation expense	108	--	108	100.00
Dues & subscriptions	8,071	7,300	771	10.56
Cash short/over	68	300	(232)	(77.35)
Bank service charges	3,357	3,000	357	11.89
Other operating services	561	--	561	100.00
Satellite Refund Center	4,046	1,200	2,846	237.13
Supplies:				
Office supplies	8,547	7,250	1,297	17.89
Computer supplies	6,866	1,200	5,686	473.85
Office equipment	837	--	837	100.00
Other operating supplies	561	--	561	100.00
Professional Services:				
Payroll processing fees	1,471	2,880	(1,409)	(48.91)
Financial fees/services	7,119	9,270	(2,151)	(23.21)
Temporary help	1,425	--	1,425	100.00

DEBT SERVICE:

We determined that the Louisiana Tax Free Shopping Commission is a proprietary fund with no debt.

COMPENSATION PAID TO BOARD MEMBERS:

The Commission is composed of five members who serve without compensation or reimbursement from the State. No per diem payments or compensation to members was noted during our procedures.

SUMMARY OF PRIOR YEAR FINDINGS:

CREDIT CARDS:

For 1 of the largest purchases selected, the Commission was not able to provide a receipt or invoice to support hotel lodging travel expenses in the amount of \$775.89.

We recommended that original receipts be obtained for all credit card purchases.

TRAVEL AND EXPENSE REIMBURSEMENT:

For 1 out of 3 employee expense reimbursement reports selected, receipts for parking in the amount of \$12 and fuel in the amount of \$24 were not provided.

We recommended that the Commission adhere to its travel and meals reimbursement policy and obtain all necessary receipts.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Louisiana Tax Free Shopping Commission and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Duplantier, Hrapmann, Hogan & Nohr LLP



FOR INTERNATIONAL VISITORS

Louisiana Tax Free Shopping Commission

P.O. Box 20125

New Orleans, LA 70141

(504) 467-0723 phone (504) 471-2777 fax

www.louisianataxfree.com



September 10, 2012

Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

The following is Management's response to the findings listed in the Independent Accountant's Report on Applying Agreed Upon Procedures for the year ended June 30, 2012:

Travel and Expense Reimbursement Report:

Mileage reimbursement on a selected report was \$10 less than the expense amount due. Management explained that expense reports are formatted spreadsheets with formulas to calculate mileage rates due employee and that the formula was inadvertently deleted and amount due was manually keyed incorrectly. This was an isolated incident and Management will manually calculate amounts for accuracy in future when verifying expense reports for approval.

Payroll and Personnel:

A time card selected included leave request slips that did not include Management's signature for approval. The time card in question included the requested leave and Management signed the time card. The leave request signature was an oversight and Management will insure document signatures more diligently.

Contracts:

It was noted that the N.O. Aviation Board lease for the LTFS Airport location was expired and that the agency is paying rent on a month-to-month basis. LTFS Management stated that the N.O. Airport is currently undergoing a \$300M renovation and would be requiring new leases of all tenants. Due to the large amount of airport tenants and vendors, the airport advised Management that the major airlines and large tenant leases would need to be completed prior to the smaller airport concessions and vendors such as LTFS.

Sincerely,

A handwritten signature in black ink that reads "Denise Thevenot". The signature is written in a cursive, flowing style.

Denise Thevenot
Executive Director, LTFSC