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**AGREED UPON PROCEDURES OF**  
**CITY OF MONROE SALES TAX**

*For the Year Ended June 30, 2002*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/30/03



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## INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

Mr. Billy Pearson  
Director of Administration  
City of Monroe, Louisiana

We have performed the procedures listed below, which were agreed to by the City of Monroe solely to assist you in evaluating the procedures placed into operation for the City of Monroe Sales Tax Department for the City of West Monroe sales tax collections. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

As of March 10, 2003, we performed or noted the following procedures:

For the period July 1, 2001 – June 30, 2002, we selected businesses to check for inconsistencies in their sales tax payment history to the City of Monroe for the sales made within the city limits of West Monroe. Of the eighty-six businesses tested, twenty-one had some type of inconsistent payment history. Two of the businesses were new and began business during the period tested. One business ended its operations during the time period tested. One vendor makes quarterly payments and all were received during the period. Five of the businesses are out of state vendors with limited sales in West Monroe. One out of state business had activity for only two months of the period and the sales tax was collected. Ten of the business all had delinquent payments that were subsequently received during the testing period. One of the businesses had delinquent payments that were received one month after the end of the test period. These inconsistencies resulted in no payment miscoding.

We then tested twenty businesses that were known to be located in the West Monroe city limits for the same type of inconsistencies as noted in the previous paragraph. Of these twenty, ten had inconsistencies in their payment histories. One of the businesses files on a quarterly basis with all payments being received during the period tested. One of the businesses opened during the period tested. Six of the businesses had delinquent payments that were all received during the period tested. One of the businesses has been a habitual delinquent filer and has eight months of taxes unpaid. The business's main sales are to police departments, which are sales tax exempt, however, this business has been placed on the Sales Tax Department's listing of businesses to be audited. One business had two delinquent payments that were received during the period. This business also had a payment coded to the City of Monroe in error. This error results in \$760.26 to be received by the City of West Monroe.

We also tested the City of Monroe Sales Tax Department collection system by randomly selecting twenty-five vendors and tracing their transactions through the City of Monroe's system to further test the current control procedures. No exceptions were noted.

During the review for the year ended June 30, 2001, it was noted that there were three vendors operating outside the city limits of West Monroe that were paying the city sales taxes. During the current year's testing it was noted that these three vendors were continuing to pay City of West Monroe Sales taxes. These three vendors' payments result in \$96,172.71 due to Ouachita Parish.

Subsequent to the receipt of the review report for the year ended June 30, 2001, the Sales Tax Department ended payments to the City of West Monroe that were to be received by Ouachita Parish for the above three vendors. The June 2002 payments were remitted to Ouachita Parish. The three businesses were notified of the error and are now submitting the Sales Tax Remittance Forms correctly. The amount due to Ouachita Parish will be remitted via adjustments to the City of West Monroe sales tax payments. The \$96,172.71 will be adjusted in three payments.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the financial statements of the City of Monroe Sales Tax Department or its internal control. 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 use of the management of the City of Monroe, the City of West Monroe, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Cameron, Hines & Hartt (APAC)*

West Monroe, Louisiana  
March 10, 2003

AGREED UPON PROCEDURES OF CITY OF WEST MONROE SALES TAX  
MANAGEMENT CORRECTIVE ACTION PLAN  
FOR THE PERIOD JULY 1, 2001 – JUNE 30, 2002

Internal Control and Compliance Material to the Agreed-Upon Procedures

1. Inaccuracies in Sales Tax Remittances

Recommendation: The sales tax department should closely monitor the vendors that consistently file in error to ensure that the sales tax is properly credited to the correct municipality. The sales tax application addresses should also be verified to ensure that the vendors complete the sales tax returns correctly.

Action Taken: The sales tax department has installed software in their system that notifies management of inconsistencies that will prevent vendors that file in error consistently from being input incorrectly or credited to the wrong government entity. This software allows management to view material changes in reporting amounts to prevent errors. To help prevent errors that occur on a regular basis the Director monitors companies that habitually file in error. This system was put into place over the past year and has reduced the recurring error rate. The department has implemented additional checks to ensure that the Sterlington column is correctly reported. All returns with a Sterlington payment in excess of \$2,000 are copied and reviewed by the Director of the Sales Tax Department. This is a reliable check because amounts greater than \$2,000 are rarely remitted to Sterlington.

2. Late Sales Tax Payments

Recommendation: The sales tax department should continue to encourage timely filing and payment by City of West Monroe vendors required to remit sales tax. The department should also monitor delinquent accounts more closely to ensure that each return is filed.

Action Taken: The sales tax department sends out notices to all vendors who are late, which include penalty notices. The sales tax department sends two letters a month to the habitually late filers. The department then either calls or sends someone to the business if there has been no response. This action often leads to an audit by the Sales Tax Department. The department is taking steps to work more closely with vendors that remain delinquent. The department has also begun audit procedures for one of the businesses tested in the sample that remains delinquent.

3. Incorrect Sales Tax Applications

Recommendation: The sales tax department processes information based on the initial applications that are received. Vendors that are located in Ouachita Parish or in the city limits of West Monroe have the same zip codes and the sales tax department has no way of differentiation. The errors in the applications to the sales tax department could be reduced by a check of the address when the occupational license is applied for. If a business is outside the city limits, they should be referred to the Parish for licensing.

AGREED UPON PROCEDURES OF CITY OF WEST MONROE SALES TAX  
MANAGEMENT CORRECTIVE ACTION PLAN  
FOR THE PERIOD JULY 1, 2001 – JUNE 30, 2002

Internal Control and Compliance Material to the Agreed-Upon Procedures (Continued)

3. Incorrect Sales Tax Applications (Continued)

Action Taken: The city of West Monroe is taking steps to check the status of businesses filing for occupational licenses to determine if the address is inside the city limits of West Monroe or is in the Parish.