

EXECUTIVE SUMMARY

The Bureau of Revenue is a component within the Department of Finance within the City of New Orleans (City) and is responsible for administering and enforcing ordinances pertaining to the collection of various taxes such as sales taxes, hotel-motel taxes, parking and other taxes in accordance with City Code.

The Office of Inspector General conducted an audit of the internal controls of the post-audit processes of the Bureau of Revenue's Compliance Division from January 1, 2011 through December 31, 2012. The objective of the audit was to review and test the internal controls over the Compliance Division's sales tax collection and enforcement processes and evaluate the Bureau's compliance with the controls.

One hundred thirty five sales tax audits were performed by the Compliance Division during the two-year scope period; 35 audits yielding total sales tax liabilities of \$2.8 million were randomly selected for testing. At the time this report was released, the city had collected in excess of \$1.6 million of these liabilities.

The software system used by the revenue department did not have the necessary capabilities to expeditiously track compliance by the taxpayer after the audit process was completed. Staffing was insufficient within the settlement and enforcement unit. As a result, sales tax collections were delayed.

The Bureau lacked internal written policies and procedures for its auditors. As a result:

- The audit files did not contain necessary, audit specific, documentation;
- The Bureau of Revenue did not complete audits in a timely manner;
- The Bureau of Revenue did not timely update the Formal Assessment letter to comply with Louisiana State Law; and
- The taxpayer's bank accounts were not levied as required by the Bureau's informal policy.

The City disagreed with five of the six findings in this report offering no corrective actions for the lack of adequate documentation within the files tested in the compliance unit during the audit

Although the City believes the procedures in place were adequate to effectively collect sales tax revenue, detailed written procedures to augment state law and city ordinances are essential to proper management of the settlement and enforcement units of the Bureau of Revenue.

Note: All responses from the City in the body of this report are direct statements and have not been modified.