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Bourgeois Bennett

September 8, 1998

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Release Date **OCT 28 1998**

Terrebonne Parish Sales
and Use Tax Department
P.O. Box 670
Houma, LA 70361

To the Advisory Board of the Terrebonne Sales and Use Tax Department:

We were engaged to apply certain investigative procedures to the financial records of the Terrebonne Parish Sales and Use Tax Department (the Department).

Objectives

The objectives of the investigation were to:

1. Determine if sales tax collections were misappropriated.
2. Determine the amount, if any, of misappropriated sales tax collections.

Scope of the Investigation

The scope of our investigation was limited at your request to a review of field representative Judy Champagne's, cash receipts books, travel logs, sales tax returns prepared by Judy, bank deposits and bank statements.

Background Information

On July 10, 1998, Mike Elfert, Director of the Terrebonne Parish Sales and Use Tax Department called Michelle A. Gauthreaux Audit Manager of Bourgeois Bennett to notify her of a defalcation involving a Department field representative, Judy Champagne. Mike became aware of missing cash receipt advices in Judy's cash receipt books. Mike also noted differences in the amounts of certain cash receipts per the books and the receipts associated with sales tax return submitted. Upon notice of this, Mike approached Judy. Shortly thereafter Judy tendered her resignation. On Friday July 11, Judy called Mike to set up a meeting. Mike accompanied by a Terrebonne Parish Sheriff's Deputy, accepted a confession by Judy to an amount of \$2,000 or more.

Source Documents

We inspected the following documents:

- Judy's receipt books.
- Judy's travel logs.
- Various sales tax returns prepared by Judy including the posting copy of the cash receipt.
- Daily deposits and validated deposit tickets.
- When provided, copies of taxpayer records.

Summary of Procedures Performed

1. Gathered and accounted for all Judy's receipt books since employment until termination and identified missing and not properly voided receipts. Also noted that Department employees traced all receipts in the books to daily deposits and made sure all "cash" in the daily deposits were traced back to the receipt books.
2. Prepared a list of taxpayers that were subject to field reviews by Judy.
3. Gathered and accounted for sales tax returns prepared by Judy in the field for the selected taxpayers and traced the posting copy of the receipt to the receipt books. Followed up on any discrepancies.
4. Compared sales tax returns and receipts provided by the taxpayer to the sales tax returns and receipts on file. Traced the receipt posted by the Department into the daily deposits. Exceptions were noted.
5. Obtained State sales tax reports and compared to what was reported to the Department and/or to the taxpayer documents provided.
6. Gathered Judy's travel logs and reviewed them to try and determine which taxpayer could be associated with missing receipts.

Findings

The following finding is a result of our investigative procedures:

1. Tax returns were prepared, cash receipts issued and taxes were collected from taxpayers, then a lesser amount of cash was remitted to the Department and deposited.

Conclusion

As indicated in the accompanying Schedule of Cash Receipt Discrepancies, we identified misappropriated sales tax collections in the amount of \$1,850.46.

Restrictions

This report is intended solely for use of the management of the Terrebonne Parish Sales and Use Tax Department and should not be used for any other purpose.



For the Firm.

Terrebonne Parish Sales and Use Tax Department
 Schedule of Cash Receipt Discrepancies
 January 1, 1997 to July 10, 1998

<u>Taxpayer</u>	<u>Date</u>	<u>Receipt Number</u>	<u>Amount</u>		<u>Difference</u>
Mary's Hide-Away	5/20/98	25790	\$ 60.00	Posted	
	5/20/98	25787	<u>84.16</u>	Taxpayer	\$ 24.16
Maude's Grocery	4/7/98	25757	\$ 71.45	Posted	
	4/ /98	25755	<u>203.84</u>	Taxpayer	132.39
Maude's Grocery	6/15/98	25799	\$ 59.36	Posted	
	n/a	-	<u>178.52</u>	Taxpayer	119.16
Plantation Buffet	n/a	-	\$ -	Not processed	
	11/14/97	25046	<u>51.33</u>	Taxpayer	51.33
Diamond Car & Truck Accessory World	7/8/97	24753	\$ 218.07	Posted	
	6/20/97	24755	<u>285.88</u>	Taxpayer	67.81
Diamond Car & Truck Accessory World	n/a	-	\$ -	Not processed	
	7/ /97	24766	<u>268.69</u>	Taxpayer	268.69
Diamond Car & Truck Accessory World	12/12/97	25263	\$ 130.44	Posted	
	12/12/97	25263	<u>300.04</u>	Taxpayer	169.60
Diamond Car & Truck Accessory World	1/7/98	25276	\$ 203.59	Posted	
	1/ /98	25275	<u>288.39</u>	Taxpayer	84.80
Bubba B's	6/9/97	24546	\$ 59.46	Posted	
	5/30/97	24537	<u>146.87</u>	Taxpayer	87.41
Bubba B's	8/11/97	24779	\$ 45.73	Posted	
	7/ /97	24763	<u>194.79</u>	Taxpayer	149.06

<u>Taxpayer</u>	<u>Date</u>	<u>Receipt Number</u>	<u>Amount</u>		<u>Difference</u>
Price Brothers Shipyard	12/19/97	25269	\$ 200.00	Posted	122.59
	1/7/98	25277	100.00	Posted	
	12/19/97	25267	<u>422.59</u>	Taxpayer	
Color Me Custom	2/28/97	24137	\$ 170.29	Posted	29.71
	2/28/97	24134	400.00	Posted	
	2/7/97	-	200.00	Taxpayer	
	2/28/97	24134	<u>400.00</u>	Taxpayer	
Color Me Custom	2/28/97	24138	\$ 269.99	Posted	164.00
	2/28/97	24145	<u>433.99</u>	Taxpayer	
Color Me Custom	3/20/97	24148	\$ 100.00	Posted	147.00
	2/20/97	24149	536.59	Posted	
	2/20/97	24148	<u>783.59</u>	Taxpayer	
Color Me Custom	8/18/97	24782	\$ 525.34	Posted	232.75
	8/ /97	24780	<u>758.09</u>	Taxpayer	
Total					<u>\$ 1,850.46</u>

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Bourgeois Bennett

September 8, 1998

To the Advisory Board,
Terrebonne Parish Sales and Use Tax Department
Houma, Louisiana.

In planning and performing our recent engagement we considered the Departments internal control over cash collections and have the following suggestions that are opportunities for strengthening internal controls and operating efficiency.

All cash receipt books should be in the control of the Director, and issued one at a time to appropriate employees. Before another receipt book is issued, the previous receipt book should be turned into the Director and reviewed to determine that all receipts in the book are accounted for. The receipts from the book should then be traced back to the daily deposits. All sales tax returns should be signed by the taxpayer and taxpayer signatures should also be required on cash receipts. The accountant should review the sales tax returns and receipts when making deposits to ascertain that the appropriate signatures were obtained and follow up on any departures from policy.

Also, the posting copy of the receipts should be date stamped so that there is evidence that the cash was processed/deposited. Finally, periodically a report should be run from the computer that will detail a listing of all cash receipts in numerical order that were processed and reviewed to ascertain that all cash receipts were processed and accounted for.

We would like to thank Mrs. Chris Lagarde and Mr. Mike Elfert for the help extended to us during our audit. We shall be glad to answer any questions you may have.

Sincerely yours,

For the firm.

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