



City of Baton Rouge
Parish of East Baton Rouge
Finance Department
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Auditing Division 2006 Annual Report

This is a summary of the activities and accomplishments of the Auditing Division for the year ended December 31, 2006. As illustrated in this report, the Auditing Division focused its efforts on the following areas:

- Revenue generation,
- Identifying cost savings,
- Assisting City-Parish employees in improving the efficiency of operations,
- Establishing stronger internal controls, and
- Promoting increased governmental accountability.

The Auditing Division has two distinct responsibilities. The first responsibility is to perform audits of businesses to ensure compliance with sales, use, occupational license, insurance premium, gross receipts, and hotel/motel laws. These audits are conducted not only for the benefit of the City-Parish but also for the East Baton Rouge Parish School Board, Zachary Community School District, Baker School District, and the cities of Baker, Zachary, and Central.

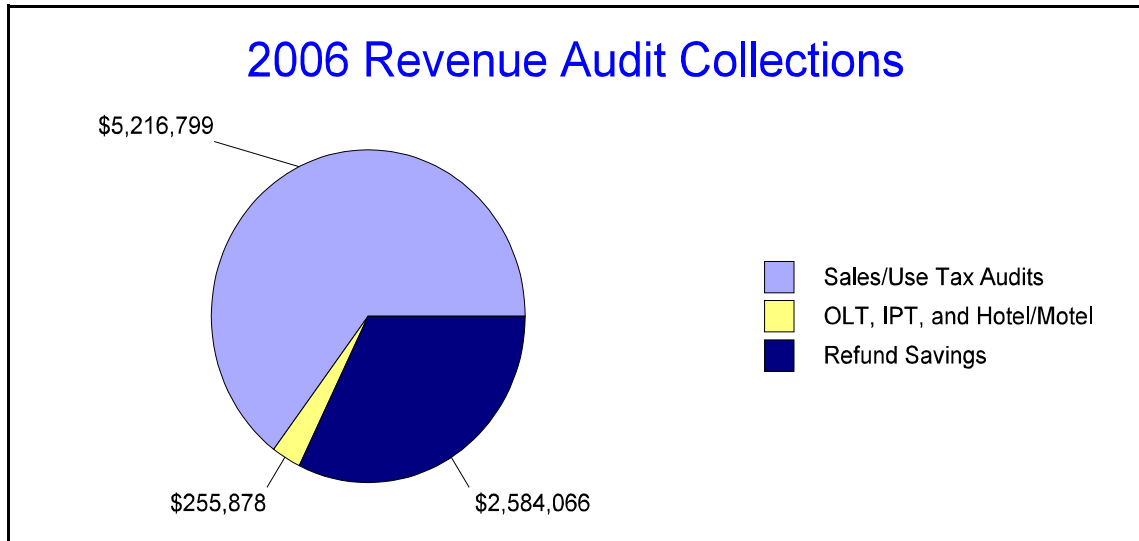
Our second responsibility is to assess various functions and control systems in City-Parish government and advise management where improvements can be made. Additionally, our work is important in promoting governmental accountability.

The Auditing Division's 2006 accomplishments were not possible without the dedication of this office's employees. I thank them for their efforts. I also want to thank the Audit Committee members for their leadership and support.

Carol Marcantel
Auditing Manager

Revenue Audit Section

In 2006, the Revenue Audit Section's total collections and refund savings were **\$8,057,000**. This was the second highest annual collection amount in the Auditing Division's twenty-six year history of conducting revenue audits.

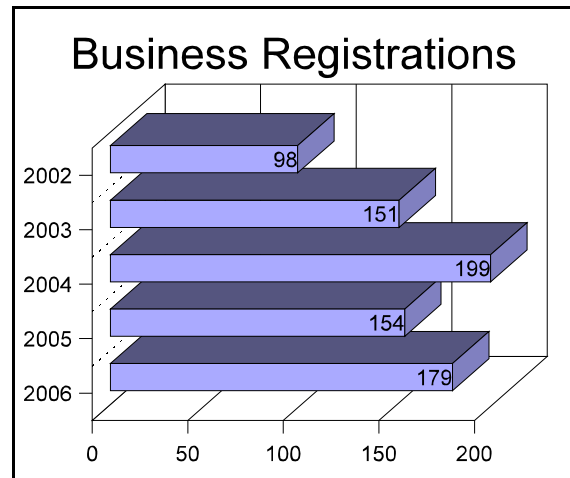
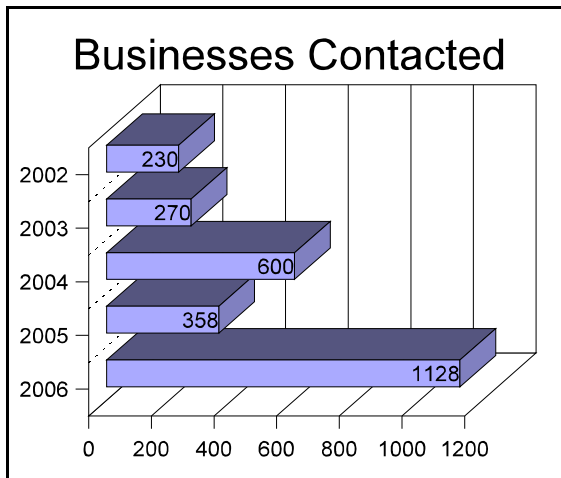


Other tasks and/or special projects performed by the Revenue Audit Section include:

- Worked with the Louisiana Association of Tax Administrators (LATA) to support the interest of local governments in the collection and administration of sales tax.
- Assisted in reviewing state legislation affecting local sales and use taxes in East Baton Rouge Parish.
- Worked with the Baton Rouge Area Chamber to rewrite the Enterprise Zone Contract to simplify the reporting requirements.
- Analyzed the top 10 and top 100 taxpayers in East Baton Rouge Parish to verify proper tax coding.
- Reviewed the allocation of vehicle taxes to the various taxing jurisdictions in East Baton Rouge Parish to verify the accuracy of the allocation.
- Monitored river boat casino boardings and revenues paid to the City-Parish. The two river boats boarded **2,802,314** passengers and paid fees of **\$7,005,785** in 2006.

Audit Research and Selection Section

Of the \$8,057,000 total revenue audit collections, the Audit Research and Selection Section (ARS) collected \$1,320,000 during 2006. In addition, over \$200,000 in collections were identified that were reported to the incorrect taxing jurisdiction by taxpayers conducting business in East Baton Rouge Parish. ARS staff also contacted 1,128 businesses and registered 179 businesses for various taxes. The new registrations expand the tax base and result in more revenues for the future.



Internal Audit Section

The internal audits and special projects performed in 2006 identified \$6,680,000 in cost reimbursements, cost savings, and potential revenues. These projects were performed to determine if: (1) proper management and accounting controls have been established; (2) expenditures were made in compliance with applicable laws and regulations; (3) assets were safeguarded; and (4) financial data was reliable.

Internal Audits Completed or in Progress

- Constable Evidence Testing Program
- Library Cash Counts
- Police Cash Receipts Audit
- Audit Follow-Up Reviews 2005 - 2006

Special Projects

- Federal Emergency Management Agency (FEMA) Reimbursement Coordination
- Garbage Cart Analysis
- Baton Rouge River Center - SMG Invoice Review
- Community Development - Melrose Urban Limited Partnership Review
- Departmental Payroll Presentations

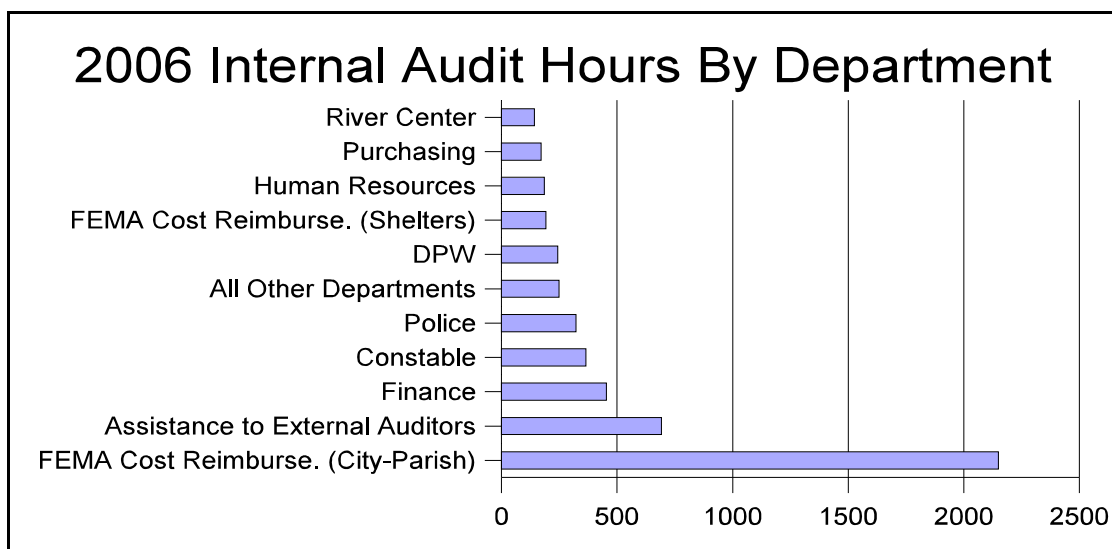
- Parish Attorney Cash Collection Procedures
- Human Resources Sick Leave Committee
- Disaster Recovery Workshop

Annual Assistance to External Auditors

- Payroll Testing

Information Systems Projects

- Revenue Computer System Acquisition, Implementation, and Testing
- Local Area Network
- T.R.A.C. System for all Finance Department divisions



Office Operations

Professional Certification - In the Auditing Division, there are 10 Certified Public Accountants, 4 Certified Internal Auditors, 2 Certified Fraud Examiners, 2 Certified Tax Examiners, and 1 Certified Public Accountant candidate.

The audit staff participates in several professional organizations so that we can stay abreast of current issues and practices in auditing and share knowledge and experiences. Some organizations to which we belong include the following:

- American Institute of Certified Public Accountants (AICPA)
- Society of Louisiana Certified Public Accountants (LCPA)
- Institute of Internal Auditors (IIA)
- Association of Certified Fraud Examiners (ACFE)

- Association of Local Government Auditors (ALGA)
- Louisiana Association of Tax Administrators (LATA)
- Information Systems Audit and Control Association (ISACA)

Risk Assessment - To direct audit efforts to the needs of the City-Parish and to carry out our responsibilities, the Auditing Division has formulated a Risk Analysis Model from which the Internal Audit Section's annual audit plan is prepared. The Auditing Division evaluates every City-Parish budget unit based on the following criteria: the financial exposure of the unit, the number of employees, the time elapsed since the last audit, the extent to which the area is a source or use of cash, and the assets controlled by the unit.

The Revenue Audit Section conducts monthly Audit Selection Committee meetings in order to prioritize the audit list, review reports and audits from the Louisiana Department of Revenue, analyze statistical reports generated from tax returns prepared by taxpayers, and plan out-of-town audits.

Audit Committee - In 2006, the Audit Committee was comprised of:

- Chairman Walter Monsour, Chief Administrative Officer to Mayor-President
- Joe Greco, Mayor-President Pro-Tempore
- David Medlin, Finance Director
- Brian Mayers, Council Administrator/Treasurer

The Audit Committee meets approximately four times per year. During these meetings, the Audit Committee reviews the annual Internal Audit Plan and internal audit reports issued. They also receive the external audit firm's report on the City-Parish's financial statements.