

EXECUTIVE DIGEST

AUDIT DIVISION

INTRODUCTION

This report contains the results of our performance audit of the Audit Division, Department of Treasury, for the period October 1, 1992 through June 30, 1995.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

BACKGROUND

The Department of Treasury administers the major State tax laws and collects all payments under these tax laws and enforces the penalty provisions.

The stated purpose of the Audit Division is to maintain a high level of taxpayer voluntary compliance. The Division is charged with the responsibility of conducting audits of taxpayers. The Division had 295 employees as of June 30, 1995 and expended approximately \$21.6 million for fiscal year 1993-94.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the effectiveness and efficiency of the Division's procedures and controls over audit assignments, completed audits, audit prepayments, and the audit review process.

Conclusion: We concluded that the Division's procedures and controls over audit assignments, completed audits, audit prepayments, and the audit review process were generally efficient. However, we could not determine the Division's effectiveness because a performance evaluation process had not been developed (Finding 1). Also, we noted that the Division could increase its effectiveness and efficiency by monitoring audit assignments (Finding 2).

Audit Objective: To assess the effectiveness of the Division's management practices and its internal control structure.

Conclusion: We concluded that the Division's management practices were reasonably effective. Also, our assessment did not disclose any material weaknesses in the internal control structure. However, we noted that the Division could increase its effectiveness by developing a formal staff training program (Finding 3).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Audit Division for the period October 1, 1992 through June 30, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the

Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To assess the effectiveness and efficiency of the Division's procedures and controls over audit assignments, completed audits, audit prepayments, and the audit review process, we reviewed the Division's procedures, analyzed records, and tested for compliance with the procedures.

To assess the effectiveness of the Division's management practices and its internal control structure, we reviewed and tested various Division procedures, including those related to daily activity reports, inventories of audit assignments, timekeeping, and staff training.

**AGENCY
RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report contains three findings and corresponding recommendations. The agency preliminary response indicated that the Division agreed with all the recommendations and will take steps to implement them.

The Division had complied with 7 of the 9 prior audit recommendations included within the scope of our current audit.