

July 14, 2008
ILR2008-C

Rodney Marrelli, Executive Director
Utah State Tax Commission
210 North 1950 West
Salt Lake City, Utah 84134

Subject: Utah Severance Tax Volume/Value Database

Director Marrelli:

During our review of 2000 to 2006 oil and gas tax records we identified errors in the Utah Severance Tax Volume/Value Report for both oil and gas entities. Tax Commission employees were initially unable to explain these data anomalies but later concluded that some were Tax Commission staff data entry errors. Further investigation into this matter yielded other errors throughout the data, some in excess of \$1 million. Tax Commission staff then proceeded to correct some of these mistakes which we required to validate the data for the purposes of our audit work. An inquiry into the internal controls for ensuring accuracy of this database did raise another concern. It appears that system checks, in place to ensure correct data entry, have been ignored. Presumably, the usefulness of this database relies on the accuracy of the information it contains. Therefore, these errors may warrant further review by the Tax Commission.

While we understand that some errors in a database of this size are unavoidable, and that it appears no monetary loss to the state has occurred, the problems we encountered suggests the commission may benefit from focusing on this area. Although we consider this matter closed, the Tax Commission might consider improving oversight for managing this database and providing additional training for technical input staff as a means to minimize future errors.

Sincerely,

John M. Schaff, CIA
Auditor General

JMS:CTO/lm