

JACKSON PARISH SCHOOL BOARD



ADVISORY SERVICES REPORT
ISSUED DECEMBER 10, 2014

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 10, 2014

Mr. David Chaney
Louisiana Federation of Teachers State Representative
P.O. Box 645
Farmerville, Louisiana 71247

Mr. Wayne R. Alford, Superintendent
Jackson Parish School Board
P.O. Box 705
Jonesboro, Louisiana 71251

Dear Mr. Chaney and Mr. Alford:

My Advisory Services staff visited the Jackson Parish School Board (School Board) to assess the validity of certain matters that were reported to my office. The assessment centered on the School Board's quarterly allocation and disbursement of sales tax proceeds to pay additional compensation (salaries) to full-time employees and to pay the associated retirement benefits/contributions to Teachers' Retirement System of Louisiana. This assessment was substantially less in scope than an audit. Management's response to our assessment is presented in Appendix A (also includes response from a representative of the Louisiana Federation of Teachers).

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

JPSB 2014

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BACKGROUND

The Jackson Parish School Board (School Board) collects four different sales taxes, which it uses/disburses, in part, to pay additional compensation (salaries) to permanent full-time employees on a quarterly basis (referred to in this letter as quarterly sales tax checks). The School Board also uses these sales taxes to pay its (“employer”) portion of retirement contributions, an obligation of the School Board that results from the payment of quarterly sales tax checks to employees.

Although a portion of the sales tax proceeds are disbursed each month to employees (in their regular paychecks), our assessment focused on the quarterly sales tax checks issued to employees in January, April, July, and October. School Board records indicate that sales taxes totaling approximately \$2 million were distributed in the past four quarters (October 2013, January 2014, April 2014, and July 2014), of which \$1.6 million was used to pay additional compensation to employees, and approximately \$400,000 was used to pay the School Board’s share of retirement contributions.

The following is a brief summary of each sales tax:

1. **1969 Sales Tax** - The tax proposition authorizes the School Board to levy and collect a 1% parish-wide sales tax, with proceeds to be used for the payment of salaries and expenses of operating schools.
2. **1982 Sales Tax** - The tax proposition authorizes the School Board to levy and collect a 1% parish-wide (excluding the City of Jonesboro) sales tax. At least 50% of the net tax proceeds are to be used for school infrastructure, and the remaining portion can be used for any lawful purposes of the School Board.
3. **1995 Sales Tax** - The tax proposition authorizes the School Board to levy and collect a 0.4% parish-wide sales tax. The net tax proceeds are to be used for the payment of salaries and benefits for school employees (including teachers).
4. **2000 Sales Tax** - The tax proposition authorizes the School Board to levy and collect a 0.6% parish-wide sales tax. The net tax proceeds are to be used for salaries and benefits of employees (including teachers) of the School Board.

FINDINGS AND RECOMMENDATION

1. Has the School Board used monies that should have been paid to School Board employees to pay the employer contributions to Teachers' Retirement System of Louisiana (TRSL)?

No. The School Board has been paying these retirement contributions from sales tax proceeds that belong to the School Board. The School Board has a fiduciary responsibility to the public to spend these taxes for their dedicated purposes only. From our review of the sales tax propositions, School Board documentation, and extensive discussion with School Board officials, it appears that the School Board can use the sales tax proceeds not only to pay quarterly sales tax checks to employees, but to also make such payments/contributions to the TRSL. See Question #2 below for clarification.

2. What legal authority does the School Board have to use the sales tax proceeds to pay its "employer" portion of retirement contributions?

As stated above, the sales tax propositions and related ordinances/resolution provide the School Board with the authority to use the sales tax proceeds to pay the employer's portion of retirement contributions. The language contained in the four sales tax propositions appears to be broad enough to allow the School Board to use the sales tax proceeds to pay its required employer retirement contributions. Specifically, we note that the:

- 1969 sales tax proposition authorizes the School Board to use the proceeds to pay **expenses of operating schools**;
- 1982 sales tax proposition authorizes the School Board to use up to 50% of the tax proceeds for **any lawful purpose** of the School Board; and
- 1995 and 2000 sales tax propositions authorize the School Board to use the proceeds to pay the **benefits of School Board employees** (including teachers).

Furthermore, we note that the Louisiana Attorney General (in Opinion No. 12-0216) provides that it is permissible for a school board to use tax proceeds, dedicated to pay for employees' salaries and benefits, to pay the employer's share of the retirement contribution.

3. Do the processes used by the School Board to allocate, disburse, and report sales tax monies paid to employees and to TRSL appear reasonable?

Overall, yes; however, there were two issues that we note below. In the assessment, my staff had extensive discussions with School Board officials; analyzed detailed information submitted to my office that indicated there were potential errors/problems;

reviewed certain 2014 allocations, reporting, and payments issued to two employees (one certified and one non-certified) and to TRSL; and had discussions with TRSL auditing staff. Our work disclosed the following issues:

- On the date of our visit, the School Board had not passed an ordinance to levy and collect the 2000 sales tax as required by the sales tax proposition. However, subsequent to our visit, the School Board corrected this issue by adopting an ordinance.
- The processes used to disburse sales tax proceeds have been specifically authorized by the School Board, except in the case of the 2000 sales tax. School Board staff was unable to provide us with documentation (e.g., ordinance, resolution, or motion) showing that the School Board approved the process by which the 2000 sales tax proceeds were being allocated and disbursed. However, the current disbursement process being used appears reasonable, as the 2000 tax proceeds are being disbursed in the same manner as the 1995 sales tax.

Recommendation: To be consistent with what the School Board did with the other three sales taxes, the School Board should take formal action to authorize the process used to disburse the 2000 sales tax proceeds.

We hope this report adequately addresses the concerns that have been expressed to my office. We encourage the School Board and its employees to work together to resolve issues presented in this report. If you have any questions about the assessment, please call Mike Battle or Steven Kraemer at 225-339-3800.

APPENDIX A

Management's Response



JACKSON PARISH SCHOOL BOARD

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"Building Tomorrow's Future"

Daryl G. Purpera, Legislative Auditor

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After reviewing the document from the Legislative Auditors, we do agree we could not present the Jackson Parish School Board's approval of the processes used to disburse sales tax proceeds for the 2000 sales tax (.6%). However, it was determined that we disburse the 2000 sales tax (.6%) in the same manner as the 1995 (.4%) sales tax. To remedy this issue, the School Board is ratifying the method being used to disburse the 2000 sales tax and shall be placed on the December 1, 2014 Board Agenda: Consider upon recommendation from Louisiana Legislative Auditors the Jackson Parish School Board shall formerly ratify the process being used to disburse the 2000 (.6%) sales tax proceeds: Certificated and non-certificated employees receive proceeds in a two to one ratio, respectively.

Thank you so much

Wayne Alford, Superintendent
Jackson Parish School Board
318-259-4456 ext 16

JACKSON FEDERATION OF TEACHERS & SCHOOL EMPLOYEES

AFL-CIO Local 4439

P.O. Box 63 Jonesboro LA 71251

President Judith Blalock

November 14, 2014

Daryl G. Pupera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge LA 70804-9397

Re: Sales Tax Issue/Jackson Parish School Board

Dear Mr. Pupera:

Michael Battle and Steven Kraemer met with David Chaney and me last week to discuss the findings regarding the sales tax issue in Jackson Parish for school employees. Time was allocated to present the background information of the findings as well as time for our questions. Many of the findings are statements that Dave and I have used constantly as this issue has unfolded. One in particular was, "The language contained in the four sales tax propositions appears to be broad enough to allow the School Board to use the sales tax proceeds to pay its required employer retirement contributions." We have spent countless hours with members trying to explain how the sales tax issue unfolds and the "powers" granted for its use by the school board but it has been met with more misunderstanding. We will give credit to our new Business Manager James Odom for trying to go to all of the schools/locations to give explanations of the collections and distributions. Unfortunately, this created more confusion.

We were certainly excited to learn that we could possibly schedule a session for the next Back to School session and have a rep from the LLA "explain" the information given to use in the findings report. All of us attending the findings meeting were in agreement that an "outside expert" would perhaps lend more credence to basically what the federation has been outlining for so many years.

After the finding is made public, our plans are to meet with Superintendent Alford to discuss a back to school session as outlined above. We will work with the Back to School coordinator and we know with his assistance we can have a successful in-service session. Also we will dedicate a JFTSE newsletter to present the information we have received from your findings. As we visit the schools, documentation is now available to "backup" our discussions regarding this issue.

Thanks you again for your cooperation and please contact us as needed.

Sincerely,



Judith Blalock, President
Jackson Federation of Teachers/SE

copy to: David Chaney and Michael Battle