

BOSSIER PARISH SCHOOL BOARD



COMPLIANCE AUDIT
ISSUED APRIL 8, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

April 8, 2009

**MR. KENNETH N. KRUTHOF, SUPERINTENDENT,
AND MEMBERS OF THE BOSSIER PARISH SCHOOL BOARD**
Benton, Louisiana

We have audited certain transactions of the Bossier Parish School Board (School Board). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the credibility of allegations involving specific financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on the School Board's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. This correspondence is intended primarily for the information and use of management of the School Board. Copies of this report have been delivered to the District Attorney for the Twenty-Sixth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Steve J. Theriot, CPA
Legislative Auditor

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Air Conditioners

The Bossier Parish School Board (School Board) Administration paid \$291,266 to Ark-La-Tex Air Repair, Inc., for overcharges, replacement costs covered by warranties, installations that did not occur, and one missing unit.

On two occasions, the School Board Administration may have violated Public Bid Law for air conditioning purchases and installation totaling \$254,598.

Haughton Middle School

The School Board may have violated the Open Meetings Law by discussing the Haughton Middle School roof and mold remediation contract during executive session. In addition, the School Board may have violated Public Bid Law through a \$1,067,000 emergency mold remediation contract.

Credit Card Charges

School Board Maintenance Department employees authorized credit card transactions totaling \$1,833 with Ark-La-Tex Air Repair, Inc., for air conditioning duct cleaning and sanitizing and the replacement of a control board that did not occur.

Scrap Metal Sales

The School Board Maintenance Department is missing \$1,472 from the sale of scrap metal and may have violated record retention laws through discarding records of scrap metal sales and the subsequent purchases with the proceeds. In addition, the Maintenance Department did not comply with Louisiana law when disposing surplus movable property.

Ethics

One current School Board employee performed work and received \$3,894 from a current vendor of the School Board in possible violation of Louisiana ethics laws.

One former School Board employee may have violated Louisiana ethics laws by receiving \$105,769 for services performed for the School Board within two years of the end of his employment.

Professional Services

A School Board attorney may have violated the Rules of Professional Conduct during the time he performed services for the School Board. In addition, the School Board Administration did not execute a signed contractual agreement with its external contracted attorneys.

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Air Conditioners

From January 2005 to October 2008, the Bossier Parish School Board (School Board) Administration paid Ark-La-Tex Air Repair, Inc. (Air Repair) \$8,007,087 for air conditioning units and installation at schools and support facilities. We examined \$782,737 of payments to Air Repair for work performed at two schools during this period and determined that \$291,266 was paid in overcharges, replacement costs covered by warranties, installations that did not occur, and one missing unit.

Summary of Air Conditioning Issues

Issues:	Cope Middle School		Elm Grove Middle School	
	Amount	Total Units	Amount	Total Units
Overbilling for Units	\$51,717	21	\$9,584	9
Replacements	137,951	23	45,391	9
Installations that did not occur	6,830	1	33,794	6
Missing Unit			5,999	1
Total of Issues	\$196,498	45	\$94,768	25

The School Board’s policy is in compliance with the Public Bid Law¹ for public works projects including the purchase and installation of individual air conditioning units as well as large replacements of air conditioning units. The Public Bid Law¹ requires public works projects, such as a repair of a public facility exceeding \$100,000, shall be advertised and let by contract to the lowest responsible bidder. However, we noted at Bossier High School and Elm Grove Middle School where, in practice, large air conditioning replacements that met the requirements of the Public Bid law’s public works project exceeding \$100,000 were not properly advertised and let by contract. Before July 2006, the School Board Maintenance Department obtained quotes each time an air conditioning unit was replaced. During the fiscal years ended June 30, 2007 and 2008, Air Repair was awarded substantially all air conditioning replacement work through the competitive bid process.

We selected two schools, Cope Middle School (Cope) and Elm Grove Middle School (Elm Grove), and reviewed and compared the related invoices to the 120 air conditioning units physically located at the schools. None of the 76 invoices contained the air conditioning unit’s serial number or model number; however, the invoices usually contained the room number where the unit was installed.

Overbilling for Units

We identified 30 instances where the Air Repair invoices had larger, more expensive air conditioning units invoiced than was actually installed at the school. These invoices resulted in a \$61,301 overpayment for air conditioning units the School Board did not receive.

¹ R.S. 38§2212 states, in part, that “All public work exceeding the contract limit as defined in this section, including labor and materials, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans, and specification as advertised, and no such public work shall be done except as provided in this part.” “The term ‘contract limit’ as used herein shall be equal to the sum of one hundred thousand dollars per project, including labor, materials, and equipment.”

In one instance, Air Repair invoiced the School Board \$71,460 for four 20-ton air conditioning units installed at the Cope gymnasium. The air conditioning units physically located on the gym's roof are a 12.5-ton unit, a 7.5-ton unit, a 15-ton unit, and a 10-ton unit. Using the yearly bid prices and other invoices from Air Repair for similar units, we estimate the invoiced cost of these units to the School Board should have been \$46,074, resulting in an overpayment of \$25,386.

Replacement of Units During the Warranty Period

According to School Board Maintenance Department employee, Mr. John Procell, Air Conditioning Electrical Leadermen, all air conditioning units installed at the school district have a 1-year parts and labor warranty and a 5-year parts warranty; however, these warranty specifications were not included in the bid documents and the Maintenance Department could not provide us with documentation to substantiate these warranties. The School Board Purchasing Department's annual bid for air conditioning units did include a requirement for a 10-year warranty for heat exchangers.

At the two schools we reviewed, Cope and Elm Grove, Air Repair invoiced the School Board \$137,623 for the original replacement of units at 22 rooms. The School Board was subsequently invoiced an additional \$183,342 for 32 more units at the same 22 rooms and did not avail themselves of the warranty. All of the 32 secondary replacements were performed during the warranty period, when the School Board should not have been charged for any repair or replacement of the unit resulting in unnecessary costs to the School Board. Nine of the 32 replacements were performed by LenAire. Mr. Leonard Koglin, owner of LenAire, stated that all the units replaced at Cope were original to the school, which was built in 1981, and therefore were not under warranty.

The lack of an accurate inventory list in addition to the lack of a written warranty may prevent the Maintenance Department from being able to submit warranty claims to the manufacturer. Currently, warranty claims are submitted by an employee writing down the model and serial numbers of the broken unit, then calling the manufacturer to see if the unit is under warranty. Because the Maintenance Department does not have an accurate inventory listing by model and serial number and date of installation, it cannot independently determine if a unit is under warranty.

Installations That Did Not Occur

In seven cases totaling \$40,624, Air Repair invoiced the School Board for an air conditioning unit we could not locate. The invoices indicated that the installation of the unit took place either at a room that did not exist at the school or at a room that never had an air conditioning unit installed.

Missing Unit

At Elm Grove, Air Repair invoiced for the removal of a 4-ton unit and installation of a 3.5-ton unit. We spoke to Mr. B. T. Johnston, Director of Maintenance, concerning the removal of this unit. He stated that the unit was still in good working condition; however, only a 3.5-ton was needed on the room. The invoice indicated that the 4-ton unit would be packaged and stored

at the Air Repair warehouse for future installation. From that date, we could not find an invoice for only the installation of a 4-ton unit. When we spoke to Mr. B.T. Johnston and other individuals at the Maintenance Department, they indicated that they were not aware that Air Repair had one of the School Board's units.

We attempted to discuss the findings at these two schools with the owners of Air Repair, Mr. Garrett Wilson and Mr. Alan Lee, and three former school board maintenance department employees, Mr. Randy Johnston, Mr. Mark Rowe, and Mr. Mont Rodes. Four of the individuals refused to speak with us through their attorneys and the fifth individual would not return our calls.

Controls Over Air Conditioner Acquisition

We examined the purchasing process for air conditioner units to determine the effectiveness of controls and procedures used by the School Board Administration. We noted that the School Board Administration:

- (1) may have violated the Public Bid Law;
- (2) did not use purchase orders or receiving reports for the purchase of air conditioning units; and
- (3) created work orders after the work was complete.

Public Bid Law

After reviewing air conditioning invoices, we noted two instances where the School Board Administration may have violated the Louisiana Public Bid Law. From April to July 2006, the School Board Administration paid Air Repair and Stewart Electric \$152,615 to install split-system air conditioning units in the first floor classrooms in the Bossier High School Lampkin Building; however, this work was not publicly bid, which may have violated public bid law. Louisiana law² requires all public works exceeding the sum of \$100,000 be advertised and let by contract to the lowest responsible bidder. Louisiana law³ also states that no project can be separated into smaller projects in order to circumvent the requirements of the law.

The installation of the split-system units at Bossier High School exceeded the amount required by law for the project to be bid. Air Repair and Stewart Electric billed for the project by separating their invoices on a per room basis. The two vendors submitted a total of 55 invoices for this project. Mr. Brent Stewart, owner of Stewart Electric, stated that Air Repair requested that Stewart's invoices be submitted to the School Board on a per room basis because Air

² R.S. 38§2212 states, in part, that "All public work exceeding the contract limit as defined in this section, including labor and materials, to be done by a public entity shall be advertised and let by contract to the lowest responsible bidder who had bid according to the contract, plans, and specification as advertised, and no such public work shall be done except as provided in this part." "The term 'contract limit' as used herein shall be equal to the sum of one hundred thousand dollars per project, including labor, materials, and equipment."

³ R.S. 38§2212 states, in part, that "Under no circumstances shall there be a division or separation of any public work project into smaller projects which division or separation would have the effect of avoiding the requirements that public work be advertised and let by contract to the lowest responsible bidder as provided in this Section."

Repair's invoices were submitted this way. We requested to speak to Mr. Lee and Mr. Wilson regarding this matter; however, both of their attorneys declined to comment.

We discussed the Bossier High School project with Mr. Keith Norwood, Director of Planning and Purchasing, and showed him one example where the School Board Administration paid Stewart Electric with one check for 30 separate invoices for work performed at Bossier High School. Mr. Norwood stated the invoices appeared to be for the same project and split up to circumvent bid law. He further stated that the project was not bid and that his office was never notified of this project. After reviewing purchasing and maintenance records, we could not find a contract or purchase order for this project. Mr. Frank Rougeau, Director of Finance, stated that he only required Mr. B. T. Johnston's authorization before payment of an invoice and that no other type of documentation was necessary to approve the invoice for payment. In addition, the invoices did not have a detailed description to include a breakdown of the labor and material charges per room. Finally, 54 of the 55 work orders related to all of the Bossier High School invoices appear to be created after the invoices were received by the Maintenance Department. (See finding below.)

In the second example, from May 2007 to August 2007, the School Board Maintenance Department hired Air Repair to install 17 split-system units totaling \$101,983 at Elm Grove Middle School without a proper bid. The annual air conditioning bid did not include split-system units. Since the total amount for installation of the split systems exceeds the contract threshold in Louisiana law, the project should have been publicly bid.

Public Works Projects Less Than \$100,000

To safeguard public funds, quotes or competitive pricing should be obtained for public works projects between \$25,000 and \$100,000 even though this practice is not required by state law. In practice, the School Board Administration does not require quotes, competitive pricing, or purchase orders for public works projects under \$100,000.

Purchasing and Payment Process

We examined the purchasing and payment process related to air conditioning units. The School Board Administration did not use purchase orders or receiving reports for the purchase and installation of air conditioning units.

We discussed the purchase and payment process with Mr. Keith Norwood, Director of Purchasing and Planning, and Mr. Frank Rougeau, Director of Finance. Mr. Rougeau stated that the Finance Department reviews the invoices before payment to ensure the invoices are approved by an appropriate employee and that the payment is within the established budget. The Finance Department does not require receiving reports or purchase orders for Maintenance Department purchases to be paid. These documents are an essential internal control to ensure the proper negotiated price is paid and that the merchandise or service was delivered.

Mr. Randy Johnston, former HVAC Foreman, and Mr. B. T. Johnston, Director of Maintenance, initialed the majority of these invoices to authorize payment. We attempted to discuss these invoices with Mr. B.T. Johnston and Mr. Randy Johnston; however, they declined comment through their attorneys.

Mr. Norwood stated Mr. B. T. Johnston did not require the Maintenance Department to do blanket purchase orders for the purchase of air conditioning units. Mr. Norwood also stated that receiving reports are only done for single item purchases and are not required for blanket purchase orders. Finally, he stated that the Purchasing Department was bypassed on many of these air conditioning invoices; therefore, he was not able to verify that the correct price was charged to the School Board.

Work Orders

The Maintenance Department uses an internal work order system to assign tasks to employees. A work order is usually created when a problem at a school is reported to the Maintenance Department dispatcher.

The work orders for the air conditioner replacement invoices appear to be an exception to the normal practice and are created when the invoice is received. We could not determine if all the replacements were necessary since the work order was not generated by an initial complaint from the school. Mr. Don Crouch, former Office Tech at the time the work orders were initiated, stated that most invoices from Air Repair did not have a work order in the system at the time he received the invoices, so he created these work orders after the work was done.

We reviewed the related work orders for Air Repair invoices for the 6-month period July 2007 to December 2007. Of the 169 invoices, 92% appear to have been created after receipt of the invoice. By circumventing the work order process, Maintenance Department employees may be authorizing unnecessary public works.

We recommend that the School Board:

- (1) require all prospective projects, exceeding \$25,000, to be routed through the Purchasing and Planning Department for prior approval to ensure compliance with the Public Bid Law;
- (2) require at least three quotes for public works projects greater than \$25,000 but less than \$100,000;
- (3) require the use of purchase orders;
- (4) train all accounts payable clerks in applicable Louisiana law, including the Public Bid Law;
- (5) require accounts payable clerks to review all invoices for compliance with applicable Louisiana laws;
- (6) establish a policy for the receipt of public works projects to include:
 - a. upon receipt of an item, an employee should inspect the item and generate a receiving report for that item,

- b. the report should detail the location, description, and working condition of the item,
 - c. a second employee should get the receiving report and the invoice and compare the two documents to ensure that the location and description match,
 - d. all discrepancies should be recorded and corrected before payment,
 - e. the invoice and the receiving report should be sent to an appropriate level of management for approval for payment, and
 - f. the Finance Department should not pay an invoice without a valid receiving report and purchase order;
- (7) establish and maintain an inventory listing of all air conditioning units to include model numbers, serial numbers, date of installation, location of installation, and installation company, to ensure the warranty is used to cover the cost of repair or replacement;
- (8) review any additions or deletions from the inventory list for reasonableness;
- (9) ensure that all items of School Board property are accounted for and not stored in an off-site, non-School Board facility;
- (10) establish a work order database that:
- a. allows only one employee to create a work order, and
 - b. allows a different employee to enter invoices, receipts, employee hours and close the work order;
- (11) establish policies for work orders that:
- a. ensure that work orders are only created based upon complaints from a school or management of the Maintenance Department,
 - b. requires the Maintenance Department management to document why a work order was not generated by a complaint from a school, and
 - c. ensure that invoices are not processed for payment without an established work order in the system; and
- (12) include required warranty specifications in all bids and quotes.

Haughton Middle School

Mold Remediation Contract

Mr. Randy Rhodes, New Construction Foreman at the School Board Maintenance Department, stated there were numerous roof leaks at Haughton Middle School (HMS) since its completion in 2000. In February 2008, the School Board hired the Newman Marchive Partnership, Inc., to examine HMS for mold. Their report dated February 21, 2008, states that mold was present at the school; however, the airborne mold count was relatively low. In additional correspondence to Mr. B.T. Johnston and Mr. Patrick Jackson, School Board Construction Attorney, Mr. John Carlisle of Newman Marchive recommended that the mold did not need to be remediated on an emergency basis.

Executive Session

Louisiana law allows public bodies to enter executive session under specific circumstances and with restrictions including the following:

- (1) The discussion of a limited number of matters including prospective litigation after formal written demand or litigation when an open meeting would have a detrimental effect on the bargaining or litigating position of the public body⁴; however, no final or binding action can be taken during an executive session.⁵
- (2) The executive sessions must be included in the public meeting agenda notice or added to the agenda through unanimous approval.⁶
- (3) If an executive session concerns litigation, then the executive session along with certain information about the litigation must be included in the meeting notice.⁷

According to the School Board minutes of the February 21, 2008, regular session, the School Board entered executive session stating they would be discussing pending litigation as it relates to the HMS roof. After reconvening in regular session, the School Board members voted to “expedite the work on the water damage at Haughton Middle School by declaring an emergency.” Furthermore, according to the School Board minutes of the March 6, 2008, regular session, the School Board entered executive session again citing pending litigation for the

⁴ **R.S. 42§6.1** states, in part, that “A public body may hold an executive session pursuant to R. S. 42:6 for one or more of the following reasons: . . . Strategy sessions or negotiations with respect to collective bargaining, prospective litigation after formal written demand, or litigation with an open meeting would have a detrimental effect on the bargaining or litigating position of the public body.”

⁵ **R.S. 42§6** states, in part, that “however, no final or binding action shall be taken during an executive session.”

⁶ **R.S. 42§6** states, in part, that “A public body may hold executive sessions upon an affirmative vote, taken at an open meeting for which notice has been given pursuant to R.S. 42:7”.

R.S. 42§7 states, in part, that “All public bodies . . . shall give written public notice of any regular, special or rescheduled meeting . . . such notice shall include the agenda, date, time, and place of the meeting, provided that upon unanimous approval of the members present at a meeting of a public body, the public body may take up a matter not on the agenda with reasonable specificity, including the purpose for the addition to the agenda, and entered into the minutes of the meeting.”

⁷ **R.S. 42§7** states, in part, that “following the above information there shall also be attached to the written public notice of the meeting, whether or not such matters will be discussed in an executive session . . . A statement identifying the court, case number, and the parties relative to any pending litigation to be considered at the meeting. A statement identifying the parties involved and reasonably identifying the subject matter of any prospective litigation for which formal written demand has been made that is to be considered at the meeting.”

HMS roof. When regular session was reconvened, the School Board “moved to accept the recommendation to proceed with the repairs at Haughton Middle School as discussed in the Executive Session.” Because there was no litigation or written demands involving the HMS roof at the time of the two executive sessions, the School Board may have violated the Open Meetings law.⁴ In both cases, the School Board minutes state the purpose of the executive sessions was to discuss pending litigation at the HMS, but the minutes further state when regular sessions were reconvened, that the School Board discussed work to be performed on the HMS roof.

The agenda notice for both public meetings did not include an executive session agenda item and the minutes do not indicate the executive session was added to the agenda pursuant to Louisiana law.⁶ The School Board may have violated Louisiana law⁶ by not including the executive session in the agenda. In addition, the agenda notices did not contain the required information pertaining to the litigation as required by Louisiana law.⁷

Emergency Purchase

According to the School Board minutes, the School Board voted to “expedite the work on the water damage at Haughton Middle School by declaring an emergency” on February 21, 2008, to waive the requirements of the Public Bid Law.

An emergency is defined by Louisiana law⁸ as an unforeseen mischance bringing with it destruction or injury of life or property or the imminent threat of such destruction or injury. Correspondence from Mr. Carlisle to Mr. B.T. Johnston and Mr. Jackson dated February 14, 2008, indicates that the mold did not need to be remediated on an emergency basis. In addition, since the School Board delayed the remediation until the end of March 2008 and did not remove the students from the school, it appears that the situation was not an emergency.

Even if the mold remediation at HMS was an emergency, the School Board did not meet the 10-day notice requirement outlined in Louisiana law.⁹ The emergency was disclosed on March 18, 2008, through normal publishing of the minutes of the meeting, but the minutes may not contain enough information to properly declare an emergency because a discussion and the School Board’s determination of the emergency were not addressed during regular session and subsequently not contained in the minutes. Finally, we could not find any evidence of the written determination and findings by the School Board justifying use of the emergency as required by Louisiana law.¹⁰

Before the declaration of emergency, the Maintenance Department received two quotes in January 2008 to perform mold remediation at HMS. Since this was a public works project and

⁸ **R.S. 38§2211** states, in part, that “Emergency means an unforeseen mischance bringing with it destruction or injury of life or property or the imminent threat of such destruction or injury or as the result of an order from any judicial body to take any immediate action which requires construction or repairs absent compliance with the formalities of this Part, where the mischance or court order will not admit of the delay incident to advertising as provided in this Part.”

⁹ **R.S. 38§2212** states, in part, that “This section shall not apply in cases of public emergency where such emergency has been certified to by the public entity and notice of such public emergency shall, within ten days thereof, be published in the official journal of the public entity proposing or declaring such public emergency.”

¹⁰ **R.S. 38§2212** states, in part, that “Every contract negotiated by a public entity under this authority of this Subsection shall be supported by a written determination and findings by the public entity justifying use of the authority.”

the value exceeded \$100,000, it should have been bid according to the Public Bid Law.² However, on March 6, 2008, a letter signed by Mr. Keith Norwood was sent to Air Repair authorizing work to proceed on Haughton Middle School. Air Repair subsequently invoiced the School Board \$1,067,000 for the mold remediation work at HMS. Mr. Alan Lee, co-owner of Air Repair, did not receive his mold remediation license until March 20, 2008, the day before the work was to begin at HMS. Since Mr. Lee did not have a mold remediation license at the time he submitted a quote to the School Board, he may have violated Louisiana law.¹¹ Furthermore, Mr. Lee did not disclose prior felony convictions on his application for the mold remediation license, which may have violated Louisiana law.¹²

We recommend that the School Board:

- (1) ensure that the Board only enters executive session in accordance with Louisiana law;
- (2) ensure that litigation is filed or a formal written demand has been sent or received before entering executive session concerning litigation;
- (3) publish the required information concerning litigation in the meeting notice in accordance with Louisiana law;
- (4) ensure that all declared emergencies are published in accordance with the Public Bid Law before entering into contracts for the emergencies;
- (5) maintain written determination and findings by the School Board justifying use of emergency purchases;
- (6) comply with the Public Bid Law;
- (7) ensure that all required documentation is contained in the emergency purchase file in accordance with Louisiana law;
- (8) ensure that a valid license number is received for all applicable bids; and
- (9) require prospective bidders to submit a copy of their contractor's license and proof of insurance and bonding before accepting a bid for public works.

Credit Card Charges

The School Board Maintenance Department's June 2008 credit card statement indicates there were 53 active credit cards assigned to Maintenance Department employees. Maintenance

¹¹ **R.S. 37§2185** states, in part, that "no person shall engage in or conduct, or advertise or hold himself out as engaging in or conducting the business of, or acting in the capacity of a person who conducts mold remediation unless such person holds a mold remediation license as provided for in this Chapter."

¹² **R.S. 14§133** states, in part, that "Filing false public records is the filing or depositing for record in any public office . . . with knowledge of its falsity, of any of the following . . . Any document containing a false statement or false representation of a material fact."

Department credit cards are used to make small purchases of supplies, limited to \$5,000 per month. Mr. B. T. Johnston stated that all purchases exceeding \$500 must be approved by him. In addition, Mr. Frank Rougeau stated that he must approve all purchases exceeding \$500.

We examined the credit card statements for the period November 2004 to August 2008, and found Mr. Randy Johnston, Mr. Mark Rowe, and Mr. Mont Rodes charged a total of \$50,679 at Air Repair. Sixty-one of 81 transactions involved amounts just under the \$500 for work such as duct cleaning, repairing damaged units, repairing ducts, wrapping insulation, repairing electrical items on units, installing smoke detectors, running wire, and extra crane fees.

We examined invoices totaling \$1,833 for work, such as replacing the control board, duct cleaning, and duct sanitizing, performed at Cope Middle School. The principal, the head custodian, and a teacher at the school stated that the control board was never replaced and the ducts were never cleaned or sanitized and that no work had been performed.

We attempted to speak to Mr. Rodes, Mr. Randy Johnston, Mr. Rowe, Mr. Wilson, and Mr. Lee concerning these credit card charges. Four individuals declined comment through their lawyers and the fifth individual would not return our call.

We recommend that the School Board:

- (1) limit the number of credit cards to certain members of management;
- (2) require detailed invoices or receipts which identify the exact items purchased;
- (3) establish and enforce a written purchasing policy for purchases made with credit cards;
- (4) require all employees with credit cards to sign this policy acknowledging their understanding of the policy;
- (5) require a monthly reconciliation of the credit card receipts to ensure compliance;
- (6) report any discrepancies found during the monthly reconciliation to an appropriate level of management; and
- (7) allow credit cards to only be used for the purchase of supplies, not for payment of work performed.

Scrap Metal Sales

The School Board Maintenance Department acquires scrap metal through the normal course of business from schools and is sold for cash to General Scrap Material Company in Shreveport. According to the Ms. Donna Olds, Office Manager of General Scrap Material Company, the Maintenance Department requests that cash be issued, in lieu of a check, along with a receipt for the sale.

In mid June 2008, \$1,472 of the scrap metal cash was discovered missing from the department's safe located in Mr. B.T. Johnston's office. The School Board Director of Security conducted an internal investigation but could not determine the person responsible for the missing cash. We discussed the missing funds with Mr. B. T. Johnson and Mr. Randy Rhodes. Both Mr. B. T. Johnston and Mr. Rhodes stated they did not take the money and felt personally responsible. Mr. Rhodes also offered to pay back the missing cash.

The Maintenance Department could not produce any receipts for either the sales of scrap metal or purchases made with the proceeds from the sale. According to Mr. B.T. Johnston, his common practice is to throw receipts in the trash to keep them from accumulating. He stated that he threw them away because of stupidity. Mr. B.T. Johnston may have violated Louisiana law¹³ by destroying and/or failing to maintain public records.

The Louisiana Attorney General¹⁴ provides that political subdivisions must follow state law to dispose of surplus movable property. According to General Scrap Material Company's records, from July 2007 through June 2008, the Maintenance Department received \$4,568 for sales of scrap metal. The School Board's policy to dispose of movable property is in compliance with state law, but the Maintenance Department did not follow this policy in the disposition of air conditioning units.

Louisiana law¹⁵ provides for the daily deposit of public funds when practicable. However, of the \$4,568 collected by the department, only \$1,364 was remitted to the School Board Finance Department for deposit. Of the \$3,204 not deposited to the School Board's bank account, Mr. B.T. Johnston stated the Maintenance Department used \$1,732 for holiday parties, barbecues, fish fries, hamburger cookouts, adding a kitchen and refrigerator to the Maintenance office and reported the remaining \$1,472 missing from the office safe. Had the \$1,472 of cash been promptly remitted to and deposited with the School Board Finance Department, the theft may not have occurred.

We recommend that the School Board:

- (1) require the scrap metal company to write a monthly check to the School Board for deposit into the proper account;
- (2) require all cash collected to be remitted to the School Board or deposited into an account on a daily basis;

¹³ **R.S. 44§36** states, in part, that "in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made."

R.S. 14§132 states, in part, that "Second degree injuring public records is the intentional removal, mutilation, destruction, alteration, falsification, or concealment of any record, document, or other thing, defined as a public record pursuant to R.S.44:1 et seq. and required to be preserved in other public office or by any person or public officer pursuant to R.S. 44:36."

¹⁴ **AG 06-0073** states, in part, that "it is the opinion of our office that, absent specific legislation, the Lafourche Parish Sheriff's Office . . . must follow one of the procedures outlined in R.S. 49:125 or R.S. 33:4712(F) for the disposal of surplus movable property or the Sheriff may dispose of surplus movable property pursuant to an intergovernmental cooperative agreement as provided by La. R.S. 33:1321 et seq."

¹⁵ **R.S. 39§1212** states, in part, that "all funds of local depositing authorities shall be deposited daily whenever practicable, in the fiscal agency provided for, upon the terms and conditions, and in the manner set forth in this Chapter. Deposits shall be made in the name of the depositing authority by law to have custody and control over the disbursements."

- (3) establish a policy to maintain all public records for at least the minimum length of time in accordance with Louisiana law; and
- (4) comply with state law when disposing movable property.

Ethics

Mr. James Ayers was employed by the School Board as a general carpenter from February 1997 to April 2006. In June 2006, three months after his employment ended, Mr. Ayers submitted a bid to the School Board to construct a handicap ramp, steps, canopy, and sidewalk. Mr. Ayers was awarded the project, performed the work, and was paid in August 2006 in possible violation of Louisiana law,¹⁶ which prohibits former employees from contracting with their former employer for a period of two years after the end of their employment. During the period August 2006 to January 2008, Mr. Ayers received \$105,769 for carpentry work, fence installation and repair, and drainage installation work performed for the school district.

Mr. Randy Rhodes has been employed by the School Board since 1987 and is currently the New Construction Foreman for the School Board. According to Innovative Office Systems records, Mr. Rhodes was paid \$3,894 from September 2003 to January 2007 for window blind installations. During this same period, Innovative Office Systems was a vendor for the School Board. Mr. Rhodes' contractual relationship with a vendor of the School Board may violate Louisiana law.¹⁷

We recommend that the School Board:

- (1) check all owners of prospective and current vendors with a list of former employees to ensure compliance with Louisiana law;
- (2) provide training in Ethics laws to all current employees;
- (3) provide a vendor list to employees periodically; and
- (4) report all violations to the Louisiana Board of Ethics.

¹⁶ **R.S. 42§1121** states, in part, that, "No former public employee shall...for a period of two years following termination of his public employment, render, any service which such former public employee had rendered to the agency during the term of his public employment on a contractual basis, regardless of the parties to the contract, to, for, or on behalf of the agency with which he was formerly employed."

¹⁷ **R.S. 42§1111** states, in part, that, "No public servant and no legal entity in which the public servant exercise control or owns an interest in excess of twenty-five percent, shall receive any thing of economic value for or in consideration of services rendered, to or for any person during his public service unless such services are: . . . Neither performed for nor compensated by any person from whom such public servant would be prohibited by R.S. 42:1115 (A)(1) or (B) from receiving a gift."

R.S. 42§1115 states, in part, that "No public servant shall solicit or accept, directly or indirectly, any thing of economic value as a gift or gratuity from any person...if such public servant knows or reasonably should know that such person: has or is seeking to obtain contractual or other business or financial relationships with the public servant's agency."

Professional Services

During the review of the School Board Purchasing Department's records, it was noted that the School Board's capital improvements attorney, Mr. Patrick Jackson, although not required by law, did not have a signed contractual agreement. From July 2005 to December 2008, Mr. Jackson subsequently received \$244,138 in payment for services provided. To safeguard public funds, a contractual agreement should be signed by both parties for professional services.

A resolution dated May 19, 2005, authorized the engagement of Mr. Jackson as special counsel to provide necessary legal advice, guidance, and services. However, the resolution did not provide the contractual requirements between the School Board and Mr. Jackson, including the length of the contract, contractual obligations, payment terms, or define a maximum amount to be paid.

The resolution did not provide for travel related expenses; however, beginning in July 2007, Mr. Jackson began invoicing the School Board for his mileage. From July 2007 to September 2008, Mr. Jackson received \$456 for mileage expenses from the School Board. When asked, Mr. Jackson stated that a new employee began compiling his bills in July 2007 and was not aware travel expenses were not included as part of his services for the School Board.

In addition to his work for the School Board, from November 2007 to April 2008, Mr. Jackson received payments totaling \$14,458 from Air Repair for work performed on five civil suits, based upon Air Repair records. During that time, Mr. Jackson participated in at least one School Board project involving Air Repair, the HMS mold remediation project. Mr. Jackson stated that he was unaware that Air Repair was contracted to do the work at HMS even though he was present in two School Board executive session meetings in February and March 2008 where the mold remediation project was discussed. Mr. Jackson stated that in late March 2008, after he became aware of a possible conflict with Air Repair and the School Board, he recused himself from the five cases he had worked for Air Repair. According to Air Repair's records, Mr. Jackson invoiced \$2,983 after the date of his recusal. Mr. Jackson stated that these charges were due to work performed by his contract attorney because his contract attorney had taken over the work for Air Repair.

In October 2008, we discussed, with three School Board members and Superintendent Kruthof, Mr. Jackson's possible conflict and they were not aware Mr. Jackson had represented Air Repair and the School Board concurrently. If Mr. Jackson wanted to represent both clients, then the Rules of Professional Conduct¹⁸ require informed consent in writing.

Finally, on February 8, 2008, Mr. Jackson rendered a legal opinion concerning the HMS mold remediation project to determine the appropriate party to pursue for the ongoing problems with the roof at HMS. On February 13, 2008, Mr. Jackson stated in a letter to the School Board

¹⁸ LA ST BAR ART 16 RPC Rule 1.7 states, in part, that "a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if . . . there is a significant risk that the representation of one or more clients will be materially limited by the lawyers' responsibilities to another client, a former client or a third person or by a personal interest of the lawyer." and "Notwithstanding the existence of a concurrent conflict of interest . . . a lawyer may represent a client if . . . each affected client gives informed consent, confirmed in writing."

Superintendent that the School Board should have its other counsel evaluate his prior opinion. He further stated in the letter that the contractor involved, Cochran Construction, has a brother on the Bossier Parish Police Jury, who he represents, and that his firm has also represented this contractor. After recusing himself in this letter, Mr. Jackson continued to bill for tasks related to the HMS mold remediation totaling \$3,575. Since Mr. Jackson's invoices to the School Board indicate that he worked on the HMS and reviewed documents related to the roof and received payment after his recusal, he may have violated the Rules of Professional Conduct.¹⁸

We recommend that the School Board:

- (1) require written contracts signed by both parties to include, but not limited to, the length of the contract, maximum annual value, hourly rates, contractual obligations, and contractual procedures;
- (2) require that contractors invoice according to the pre-existing arrangement with the School Board;
- (3) require all contract attorneys to disclose any and all possible conflicts of interest in writing to the School Board;
- (4) ensure that once a conflict of interest is disclosed by an attorney, the attorney is not further involved in the specific matter; and
- (5) require the Finance Department to maintain a copy of all contracts to validate the hourly rate and contract maximum before payment.

The Bossier Parish School Board was created by Louisiana Revised Statute (R.S.) 17:51 to provide public education for the children within Bossier Parish. The School Board is authorized by R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the state of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of 12 members who are elected from 12 districts for terms of four years. The School Board operates 33 schools within the parish with a total enrollment of approximately 19,568 pupils.

The legislative auditor received an allegation of missing money in the Bossier Parish School Board Maintenance Department. The procedures performed during this audit consisted of:

- (1) interviewing employees of the School Board;
- (2) interviewing other persons as appropriate;
- (3) examining selected documents and records of the School Board;
- (4) gathering documents from external parties;
- (5) reviewing School Board policies; and
- (6) reviewing applicable state laws and regulations.

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Management's Response



BOSSIER PARISH SCHOOL BOARD

P.O. Box 2000
Benton, Louisiana 71006-2000
Telephone (318) 549-5000
FAX (318) 549-5044

Kenneth N. Kruthof
Superintendent

Dr. Jack E. Raley
President

Dr. Jack E. Raley
President
P.O. Box 85
Haughton, LA 71037
District 1

March 19, 2009

Brad Bockhaus
111 Harvest Lane
Haughton, LA 71037
District 2

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor

Dr. Allison O. Brigham
511 Lee Street
Benton, LA 71006
District 3

P. O. Box 94397
Baton Rouge, LA 70804-9397

Tammy A. Smith
183 Willow Bend Road
Benton, LA 71006
District 4

Dear Mr. Theriot:

Michael S. Mosura II
Vice President
6014 Jason Street
Bossier City, LA 71111
District 5

Enclosed is the Bossier Parish School Board's response to the audit conducted by your department beginning in 2008 and concluding March, 2009. The lead auditor was Mr. Kevin Kelly.

William C. Kostelka
309 Audubon Drive
Bossier City, LA 71111
District 6

The following steps have been implemented to address the deficiencies noted in the audit:

I. Air Conditioners/Purchasing

J. W. Slack
2424 Douglas Drive
Bossier City, LA 71111
District 7

Recommendation: *Require all prospective projects, exceeding \$25,000...*

Response:

Kenneth M. Wiggins
3201 Cloverdale Place
Bossier City, LA 71111
District 8

1. As of September 18, 2008, all purchases over \$2,000 are routed through the Purchasing Department for prior approval. Requests are reviewed to ensure all appropriate documents are in place and all procedures followed related to BPSB purchasing guidelines and State bid guidelines.

Eddy Ray Presley
1816 Lee Street
Bossier City, LA 71112
District 9

Our Maintenance Department has implemented the following procedures:

Julian Darby
1130 Beverly Street
Bossier City, LA 71112
District 10

- a. Quotes are received by the Maintenance Department secretary.
- b. Quotes are electronically sent between maintenance, financing, and purchasing.
- c. Contractor work sheets insist on a visual of work performed by contractors and documentation of the work and serial numbers.
- d. Periodic training/in-service regarding ethics and purchasing.

Lindell Webb
1830 Venus
Bossier City, LA 71112
District 11

Mack Knotts
5007 Kenilworth Drive
Bossier City, LA 71112
District 12

Recommendation: *Require at least 3 quotes, for projects greater than \$25,000 but less than \$100,000.*

Response:

1. As of September 18, 2008, all purchases over \$2,000 require at least three quotes and are processed through the Purchasing Department with the attached documentation—work order, quote sheet and signed original proposal. Purchasing Department receives, approves and sends to Accounts Payable. Accounts payable clerks will be trained in applicable Louisiana law, including the Public Bid Law. Accounts payable clerks will review all invoices for compliance with applicable Louisiana laws.

A policy will be implemented for the receipt of public works projects to include:

- a. That upon receipt of an item, an employee will inspect the item and generate a receiving report for that item.
- b. The receiving report will detail the location, description, and working condition of the item.
- c. The Maintenance Supervisor will get the receiving report and the invoice and compare the two documents to ensure that the location and description match.
- d. All discrepancies should be recorded and corrected prior to payment.
- e. Invoices and receiving reports will be sent to Director of Finance for approval.
- f. The Finance Department will not pay an invoice without a valid receiving report and purchase order.

Recommendation: *Require use of purchase orders.*

Response:

1. As of Friday, February 20, 2009, all purchases in the Maintenance Department will be through the purchase order process.

Recommendation: *Establish and maintain an inventory list of all air conditioning units to include model numbers, serial numbers*

Response:

1. The Maintenance Department completed a thorough inventory of all air conditioners in the parish identifying the location, tonnage, date of purchase, purchase order or invoice number, and vendor. Currently, inventorying units for serial and model numbers and warranty information. RTU number, location, installer and date required. This list will be maintained. (Copy enclosed.) The inventory list will be reviewed by the Maintenance

Supervisor for reasonableness of additions and deletions. All School Board assets will be stored on School Board property.

Recommendation: *Establish a work order database.*

Response: As of September 28, 2008, all work order requests must be emailed to the Maintenance Department. Work orders will only be created based upon complaints from a school or Maintenance Supervisor. The Maintenance Department will document why a work order was not generated from a school or center.

From these requests, an official work order will be created and the appropriate employee will evaluate the work request to determine the appropriate plan of action to be taken. Once the assessment is completed, the employee will proceed with the appropriate procedures of quotes/bids and purchasing requirements. A different employee will enter invoices, receipts, employee time, and will close the work order. Invoices will not be processed for payment without an established work order in the system.

Warranty specifications will be required on all bids and quotes.

II. Haughton Middle School

Recommendation: *Ensure that the Board only enters executive session in accordance with La Law.*

Response:

1. The Board has solicited guidance from Board counsel to the specific state statues on exceptions to open meetings to ensure compliance with state law.

Recommendation: *Ensure that all declared emergencies are published in accordance with Public Bid Law.*

Response: Any future concern or issue that requires immediate attention will be evaluated to determine if it meets the requirements for an emergency declaration prior to any board action being taken to address the issue.

III. Credit Card Charges

Recommendation: *Limit the number of credit cards...*

Response: As of November 3, 2008, all credit cards were seized and removed from use by employees. The credit cards are currently locked up in the school board office safe.

Recommendation: *Require detailed invoices or receipts to identify exact items purchased.*

Response: Official purchase orders are required for all purchases that exceed \$2,000. Any purchase requires a detailed invoice and/or receipt which is reconciled daily by the Maintenance Department secretary.

IV. Scrap Metal

Recommendation: *Require scrap metal company to write a monthly check to the School Board for deposit...*

Response: The BPSB had very specific guidelines in place related to the declaring of and disposal of surplus/scrap materials & movable property. Unfortunately, these procedures were not followed by the Maintenance Department prior to November 3, 2008. Once it was brought to the attention of the administration of these violations, the policies and procedures were reviewed with the Maintenance Department and actions taken to ensure compliance. All funds collected are paid in full by check made to the Bossier Parish School Board. There should be no cash transactions or petty cash on hand. Cash received prior to November 3, 2008, was deposited in the Bossier Parish School Board General Fund account.

Recommendation: *Establish a policy to maintain all public records for at least a minimum length of time in accordance with Louisiana Law...*

Response: BPSB Policy 5.40 Accounting, Reporting, and Auditing identifies that "complete, accurate, and detailed records of all financial transaction shall be maintained. These records shall conform with generally accepted governmental accounting procedures as prescribed by the Governmental Accounting and Financial Reporting Manual and/or as prescribed by law." Unfortunately, the Maintenance Department failed to comply with Board policy related to maintaining these records. All departments have been in-serviced related to these requirements and will continue to receive annual in-service related to these requirements.

Recommendation: *Comply with state law when disposing movable property.*

Response: BPSB Policy 5.42 Property Disposal identifies the specific guidelines to govern property disposal that are in compliance with applicable state laws. Unfortunately, the Maintenance Department failed to comply with the existing Board policy. All departments have been in-serviced on this policy and will continue to receive annual in-service related to these requirements.

V. Ethics

Recommendation: *Provide training in ethics law to all current employees.*

Response: On January 21, 2009, an attorney from the Ethics Board presented an in-service to all BPSB administrators and Maintenance Department employees on the specifics of the Louisiana Code of Governmental Ethics. The information provided will be reviewed annually with all employees by their appropriate supervisors and documentation will be maintained to ensure compliance.

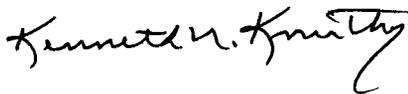
Recommendation: *Report all violations to the Louisiana Board of Ethics.*

Response: The vendor identified, James Ayers, that was a former employee has been notified that he was no longer to be considered as a potential vendor base on this violation. The current BPSB employee identified, Randy Rhodes, has been informed that he must dissolve contracted relationship with the vendor Innovative Office Systems or remove himself from employment with the BPSB.

In addition to the steps already implemented, our Board is discussing the possibility of having a manpower study done to determine if our Finance, Purchasing and Maintenance Departments have adequate staffing and delineation of duties. The overall purpose is to have adequate and proper oversight to ensure protection of the public's money.

Additional training for Board members and staff would include, but not be limited to public bid law, open meetings law, executive session, ethics and other issues that the legislature and/or our attorneys deem appropriate.

Sincerely,



Kenneth N. Kruithof
Superintendent

KNK:bqs



PATRICK R. JACKSON

A PROFESSIONAL LAW CORPORATION
Licensed in Louisiana and Texas

4442 Viking Drive, Suite 100
Bossier City, Louisiana 71111
E-mail: pjacks28@bellsouth.net

March 26, 2009

Telephone: (318) 752-3335
Facsimile: (318) 752-3315
Toll Free: (877) 757-3335

Mr. Steve Theriot
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

***Re: Confidential Draft Response to Professional Services' Portion of
Legislative Audit of the Bossier Parish School Board***

Dear Mr. Theriot:

In reviewing the draft delivered to me by your office on March 13, 2009, I have the following comments with regard to the factual statements contained therein along with a response to the draft audit:

Paragraphs 1, 2 and 3

This law firm was lawfully hired by a vote of the Bossier Parish School Board on May 19, 2005, and the payment terms were set forth in the resolution adopted in a lawfully noticed public meeting thereof (the "Resolution"). The Resolution was unanimously approved by all members present, and was forwarded to the Louisiana Attorney General's office as required by Louisiana law. On June 6, 2005, in accordance with all applicable statutes, Attorney General Charles Foti's Office approved the Resolution to hire this firm to assist the Bossier Parish School Board with construction and other legal matters. As stated in your first paragraph, there is no requirement under law that any additional documentation be approved in order for this firm to be hired. However, your draft dedicates three paragraphs to something that has no legal basis in fact or law. To leave the impression that anything additional is required or to leave the implication that something was improper is a mischaracterization of the law and the facts. The Resolution was approved in lawfully convened session, provided all relevant terms for payment and was reviewed and approved by the Louisiana Attorney General's Office. All fees and expenses were incurred, approved, paid and no one has suggested otherwise.

The Resolution does not prohibit travel expenses as indicated in your report. The Resolution recognizes this firm is local, and the need for travel expenses will be abated.

As you are aware, the primary counsel for the School Board is located in Monroe and Baton Rouge, and one of the reasons this firm was engaged was to cut down on travel and other related expenses. Additionally, as I am sure the legislative auditors are aware, the “whereas” provisions of any public resolution have no contractual or legal effect. See *State v. Cade M. Barbier*, 98-2923 (La. 09/08/99); 743 So.2d 1236; (“It is the cardinal rule of statutory construction that the preamble of an act of the legislature is not part of the law”); and *Bunch v. Town of St. Francisville*, 446 So.2d 1357 (1st Cir. 1984)(“The statutory and jurisprudential rules for the construction and interpretation of state statutes are applicable to the construction and interpretation of municipal and parochial ordinances. *Lieber v. Rust*, 388 So.2d 836 (La.App. 2nd Cir. 1980), affirmed, 398 So.2d 519 (La. 1981)”). To infer or suggest otherwise is misleading.

The Resolution clearly sets forth the hourly rate and adopts the Attorney General’s fee schedule. All fees and expenses were customary and reasonable and provided for by the Attorney General’s fee schedule. The Attorney General’s current fee schedule and a true and correct copy of the Resolution are attached hereto as Exhibits 1 and 2.

Paragraph 4

This firm represented the corporation Ark-La-Tex Air Repair, Inc. (“Ark-La-Tex”) and a related entity in five civil lawsuits which the Bossier Parish School Board was not a party in any way. The Rules of Professional Conduct (the “Rules”) do not prohibit in any way the representation of two clients that do business with each other. In fact, Ark-La-Tex Air Repair started doing business with the Bossier Parish School Board some time in late 2003 –nearly two years before this firm ever represented the Bossier Parish School Board, and nearly four years before this firm ever met or represented Ark-La-Tex Air Repair. It is my understanding that nearly 6 million dollars worth of work had been performed by Ark-La-Tex for the Bossier Parish School Board before this firm was ever engaged. All invoices to Ark-La-Tex Air Repair and payments made to this firm were for work done on matters to which the Bossier Parish School Board was not a party. The draft audit indicates that this firm invoiced for work after its recusal. All records from this firm indicate that the last work provided by this firm was in February of 2008, and that all invoices thereafter were for collection of work done prior to recusal, but in every event on matters to which the School Board had no interest. There is absolutely no prohibition under the Rules of Professional Conduct for this representation.

As to what Ark-La-Tex’s records are within your possession, this firm cannot comment as I have not been afforded the opportunity to review the records nor been allowed to ask questions concerning their content; however, the amounts indicated in your draft report match no invoices sent by this firm.

Paragraph 5

In your draft report, your assertion is that the Rules of Professional Conduct require informed consent prior to the representing of two clients that do business together. This is a misapplication of the Rules. There is no conflict presented under the Rules for this firm to represent two clients in unrelated matters. It is clear that the purpose of this paragraph is to suggest that this firm attempted to represent both the School Board and Ark-La-Tex in the same matter, but that implication is absolutely false, is not supported by any document, and is a mischaracterization of this firm's representation. In fact, there is not a single document that suggests that this firm ever attempted to solicit, recommend or approve any contract to hire Ark-La-Tex Air Repair, Inc. for any work done by or for the Bossier Parish School Board.

With regard to the remediation project at Haughton Middle School, as is indicated in my letters of conflict dated February 13, 2008, this firm fully disclosed its relationship to Cochran Construction Company, Inc. once it was made aware that Cochran Construction Company, Inc. ("Cochran") had performed work on Haughton Middle School almost ten years prior.

Additionally, as you have been made aware, at the time the original Haughton Middle School project was bid, I was practicing law in the City of Fort Worth. To suggest that this firm attempted to represent Cochran and the Bossier Parish School Board and Ark-La-Tex all with regard to Haughton Middle School simply has no support in fact or document. As you have been made aware, this firm notified the Bossier Parish School Board in writing of its conflict with Cochran on February 13, 2008, nearly two weeks before the first time the School Board met in executive session, nearly a month before the School Board voted to award the apparent low bid. A copy of the February 13, 2008, letter is attached hereto as Exhibit 3 (which was delivered at a time when the documents for the nearly 10 year old school were in a warehouse and not delivered to my office until or about February 11 or 12th, 2008 as is fully set forth in my letter to the Bossier Parish School Board dated January 9, 2009 - which contains exhibits which may be privileged and to which I can not attach to this response). Further, there are significant other documents bearing on this matter which may be attorney client privileged which are not attached to this response, but which I understand you have been made aware of through your investigation of School Board files.

With regard to the handling of the Haughton Middle School, as you have been made aware, the Maintenance Department solicited two bids on the Haughton Middle School project - one from Ark-La-Tex Air Repair, Inc., and one from B & C Air Conditioning and Heating Inc. I have obtained those documents since this matter came to light, which are attached hereto as Exhibits 4 and 5. As you can see from the two bids solicited by the Maintenance Department, Ark-La-Tex was the apparent low bidder by several hundred thousand dollars. As you are well aware, at the time these bids were

solicited, there was no allegation of impropriety, no investigation, and not even a single fact that led any law enforcement agency to an investigation.

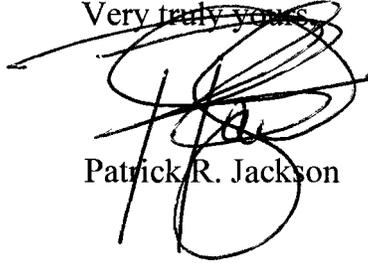
At the time the Bossier Parish School Board was considering the issues surrounding Haughton Middle School, no professionals, nor the Maintenance Department, could guarantee to the Bossier Parish School Board members that the environment at Haughton Middle School would remain absolutely safe until the summer of 2008 to allow time to publicly bid a rehabilitation project. Out of an abundance of caution, the Bossier Parish School Board decided to move forward with all haste.

It is my understanding, although I have not seen any draft, that the legislative auditor has indicated that there was no emergency with regard to the Haughton Middle School project. That is not true. As I have advised you in several instances, the professionals that have provided detailed industrial hygiene analysis and studies, could not guarantee the continued absolute safety of the environment and, as a result, the Bossier Parish School Board was forced to act to ensure the safety of the children. To suggest that there was a considered belief that this project could wait until the summer is simply an inaccurate representation of the handling of this matter. To also suggest that correspondence between professionals and others at the School Board indicates that no emergency existed is not supported by the facts - the emergency they were discussing was whether to order an immediate shutdown of the facilities that day (i.e. quarantine the facilities immediately and not let any children go back in the building) or whether to wait to undergo the remediation at the calendared spring break period just a few days away. Both situations are emergencies; one just requires faster action than the other. However, it was clear based on the information known at the time that waiting until the summer, and therefore allowing time to publicly bid the project, was not an option. The professionals could not certify to the Bossier Parish School Board that there was in fact a 100 percent safe environment if the project waited until the summer, and as a result the School Board acted.

As discussed above, the Rules allowed this firm to continue working on the Haughton Middle School project with regard to other unrelated issues that had nothing to do with the decision to sue or not sue Cochran or the decision to or not award a contract to Ark-La-Tex Air Repair. It is my understanding that you have also reviewed information that is attorney/client privileged as to the reason for the additional hours billed on the Haughton Middle School project. Likewise, you have been provided a copy of my conflict letter which preceded any meeting with the School Board, and this firm surely could rely on the fact that the conflict had been written, provided to administration, and it was reasonable to assume the School Board members individually have been provided that letter.

Thank you for reviewing this information, and I look forward to you revising the draft so that the facts are supported by the documents. If you have any questions concerning this information, please do not hesitate to call.

~~Very truly yours,~~

A handwritten signature in black ink, appearing to be 'P. Jackson', written over the crossed-out text.

Patrick R. Jackson

Enclosures



JAMES D. "BUDDY" CALDWELL
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

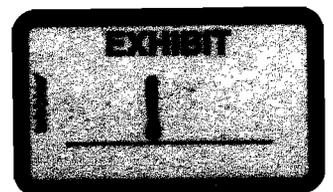
January 14, 2008

TO: ALL INTERESTED PARTIES
FROM: JAMES D. "BUDDY" CALDWELL
RE: MAXIMUM HOURLY FEE SCHEDULE

This is to advise all interested persons that the approved Maximum Hourly Fee Schedule of this office for professional legal services, effective this date, shall be as follows:

- \$175.00 PER HOUR FOR ATTORNEYS HAVING EXPERIENCE OF TEN YEARS OR MORE IN THE PRACTICE OF LAW
- \$150.00 PER HOUR FOR ATTORNEYS HAVING EXPERIENCE OF FIVE TO TEN YEARS IN THE PRACTICE OF LAW
- \$125.00 PER HOUR FOR ATTORNEYS HAVING EXPERIENCE OF THREE TO FIVE YEARS IN THE PRACTICE OF LAW
- \$100.00 PER HOUR FOR ATTORNEYS HAVING EXPERIENCE OF LESS THAN THREE YEARS IN THE PRACTICE OF LAW
- \$ 45.00 PER HOUR FOR PARALEGAL SERVICES
- \$ 25.00 PER HOUR FOR LAW CLERK SERVICES

JDC/mch



The following resolution was offered by George Finck and seconded by Gloria Simison

RESOLUTION

WHEREAS, The Bossier Parish School Board has embarked on a significant Capital Improvements Program for new schools, classroom wing additions and other school improvements funded with public bonds; and

WHEREAS, The Bossier Parish School Board will require legal services to prepare documents between the Board and Architects, Engineers & Contractors, and occasional review of these documents and other legal services related directly to construction; and

WHEREAS, Mr. Patrick R. Jackson, Attorney at Law, has significant recent experience in this area of expertise as demonstrated by his services to the Bossier Parish Police Jury and other local agencies, and Mr. Jackson's offices are located in Bossier Parish, providing availability for meetings and services without delay or travel related expenses.

NOW, THEREFORE, BE IT RESOLVED by the Bossier Parish School Board sitting in open and public session at its May 19, 2005 regular meeting, that Patrick R. Jackson with the law firm of Patrick R. Jackson, Attorney at Law be engaged as special counsel to provide necessary legal advice, guidance and services to the school district and to enroll as counsel of record for the Bossier Parish School Board for capital improvements.

BE IT FURTHER RESOLVED that in compensation for the services to be rendered that special counsel be paid \$125.00 per hour, billable in one-tenth hour increments; that services that may from time to time be performed by other attorneys with special counsel's law firm be paid in accordance with the Attorney General's Fee Schedule based upon their years of legal experience; and that any services that may from time to time be performed by paralegals or legal assistants with special counsel's law firm be paid in accordance with the Attorney General's Fee Schedule.

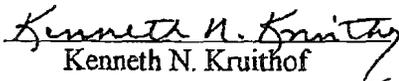
This resolution having been submitted to a vote, the vote thereon was as follows:

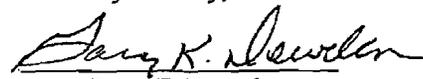
YEAS: Gary Dowden, George Finck, J. W. Slack, Gloria Simison, Henry Burns, Michael Mosura, Ronald Griggs, and Kenneth M. Wiggins

NAYS: None

ABSENT: Julian Darby, Mack Knotts, William C. Kostelka and Dr. Jack Raley

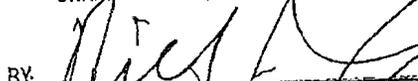
And the resolution was declared adopted on this, the 19th day of May, 2005.


Kenneth N. Kruithof
Secretary

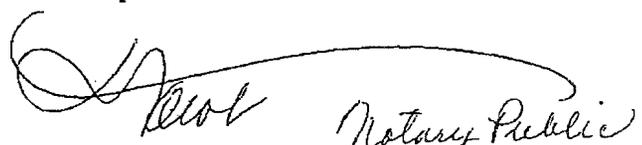
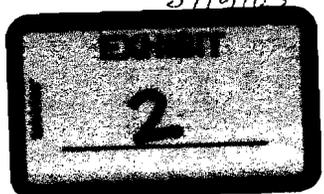

Gary K. Dowden
President

I hereby certify that the above is a true and correct copy of an excerpt of the minutes of the Bossier Parish School Board of May 19, 2005.

APPROVED AS PER LETTER OF 6-6-05
CHARLES C. FOTI, JR., ATTORNEY GENERAL

BY: 
NICHOLAS CACHASSINI JR.
FIRST ASSISTANT ATTORNEY GENERAL

SON ELLA C. FOWLER, NOTARY PUBLIC
BOSSIER PARISH, LOUISIANA
MY COMMISSION IS FOR LIFE
NOTARY ID # 005401


Notary Public
5/19/05


PATRICK R. JACKSON

A Professional Law Corporation
1463 Airline Drive
Bossier City, Louisiana 71112

Phone: (318) 752-3335
Fax: (318) 752-3315
Toll Free: (877) 757-3335

Licensed in Louisiana & Texas
E-Mail: pjacks28@bellsouth.net

February 13, 2008

Superintendent Ken Kruithof
Bossier Parish School Board
Post Office Box 2000
Benton, Louisiana 71006-2000

Re: Haughton Middle School roof warranty claims

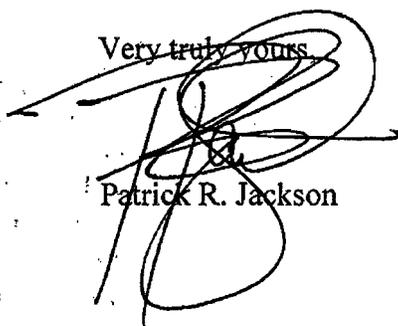
Dear Coach Kruithof:

I previously sent you my opinion regarding the appropriate parties to pursue for the defects in the roof at Haughton Middle School. Because of the evolving nature of that claim, the likelihood that the School Board will have to litigate that claim; and the amount of public funds involved, I believe it appropriate for you to have your other legal counsel review my opinion. It is also important to provide the school board some additional support in its decision making process. I would never want anyone to question my motivations, but as you may know, the contractor involved has a brother on the Bossier Parish Police Jury, which I represent. Also, that contractor assisted my father in his race for political office recently, and my firm has represented this contractor.

As a result, please forward a copy of my opinion and the attached Louisiana Supreme Court case to Hammonds & Sills with a request that they review it. Please have Mr. Hammons or Mr. Guice call me if they need further documents to help evaluate my opinion.

Should you have any questions concerning this, please feel free to contact me.

Very truly yours,



Patrick R. Jackson

PRJ/anb
Enclosure

EXHIBIT

3



AIR REPAIR INC.

4750 Hazel Jones Road
Bossier City, La. 71111
Office 318-741-2336
Fax 318-747-4936

BOSSIER PARISH SCHOOL BOARD

Attn: B T Johnston
1715 Palmetto Road
Bossier City, La 71006
Bid Date: 01/24/08
Fax 549-7096

Bid

Haughton Middle School

Tile Removal-Replacement Mildew Remediation Project

Air Repair will do the following work:

Job scope—Demo ceiling tiles from entire school—A,B,C Wings, Office area, band room, cafeteria, library, gym, hallways. Treat all areas above grid with mold remediation chemicals, spray paint area with Kiltz anti mold paint, spray areas with anti microbial chemical. Replace all ceiling tiles and needed insulation. Clean entire duct system in school, clean blower assemblies and evaporator coils—Treat entire duct system with anti microbial chemical fog after cleaning. All work to be done after school and weekends—Cost **\$583,650.00(Five Hundred Eighty Three Thousand Six Hundred Fifty Dollars)**.

Work to be done as specified by owner.

Please contact Alan Lee at 221-2770 for further information.

Sincerely

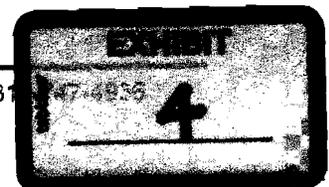
Alan Lee
Air Repair Inc

Air Repair Inc.

4750 Hazel Jones Road Bossier City LA 71111

318-741-2336

Fax 318-747-4936



B & C

AIR CONDITIONING AND HEATING, INC.

117 WEAVER ROAD
HAUGHTON, LA 71037
OFFICE 318-949-4222—PAGER-864-9746
FAX—318-949-6271

JOB REQUEST FOR: BOSSIER PARISH SCHOOL
BOARD
ATTN: B.T. JOHNSTON
FAX-549-7096

PROPOSAL AND ACCEPTANCE

JANUARY 22, 2008

WE HEREBY PROPOSE TO FURNISH THE MATERIALS AND PERFORM THE LABOR NECESSARY FOR THE COMPLETION OF WORK ON HAUGHTON MIDDLE SCHOOL:

1. CLEAN OUT DUCTS IN A-B-C WINGS, LIBRARY, KITCHEN, GYM, BAND ROOM AND OFFICE AND TREAT WITH ANTI-MICROBIAL MIST.
2. REMOVE ALL CEILING TILES AND DISPOSE OF THEM.
3. SPRAY CEILING WITH MOLD REMOVER AND ANTI-MICROBIAL SPRAY.
4. PAINT CEILING WITH KILZ. TREAT PAINTED AREAS WITH ANTI-MICROBIAL MIST.
5. REPLACE ALL CEILING TILES IN ABOVE STATED AREAS.

**THIS WILL NIGHTS AND WEEKENDS DUE TO THE JOB SIZE.

***PRICE FOR THE ABOVE OPTION IS \$985,525.00.

ALL MATERIALS ARE GUARANTEED TO BE AS SPECIFIED, AND THE ABOVE WORK TO BE PERFORMED IN ACCORDANCE WITH SPECIFICATIONS SUBMITTED FOR ABOVE WORK AND COMPLETED IN A SUBSTANTIAL WORKMAN LIKE MANNER.

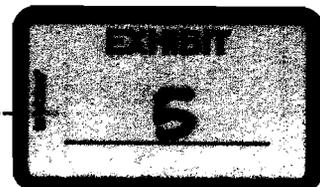
ANY ALTERATION OR DEVIATION FROM ABOVE SPECIFICATIONS INVOLVING EXTRA COSTS WILL BE EXECUTED ONLY UPON WRITTEN ORDER, AND WILL BECOME AN EXTRA CHARGE OVER AND ABOVE THIS ESTIMATE.

RESPECTFULLY SUBMITTED BY _____ DENNIS BAKER _____

THE ABOVE PRICES, SPECIFICATIONS AND CONDITIONS ARE SATISFACTORY AND ARE HEREBY ACCEPTED. YOU ARE AUTHORIZED TO DO THE WORK AS SPECIFIED. PAYMENT DUE ON COMPLETION OF WORK.

SIGNATURE & DATE _____

*****SIGN AND MAIL OR FAX BACK UPON APPROVAL*****



TUTT, STROUD & MCKAY, LLC

Attorneys at Law

Charles G. Tutt
A. M. Stroud, III
Jennifer P. McKay *
* Also admitted in Georgia

920 Pierremont Road, Suite 308
Shreveport, Louisiana 71106

Office: (318) 868-6633
Fax: (318) 868-5006
E-Mail: Marty@tsmlaw.net

April 2, 2009

VIA TELECOPY (225) 339-3987 AND REGULAR MAIL

ATTN: Ms. Jodie Carter
Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: William T. Johnston

Dear Mr. Theriot:

This will serve as my client's response to the draft compliance audit report on the Bossier Parish School Board that relates to William Johnston. At the outset, I would again thank you for the professional courtesies in extending our deadline because of my schedule.

Mr. Johnston inherited a department that had no structure, no instruction and no policy for dealing with petty cash generated by scrap metal sales. When he became the Maintenance Supervisor, he was given a set of keys and nothing else. There were no manuals, no classes, no written procedure, and most importantly, no supervision from the superintendent, or any of his assistants. Specifically, D.C. Machen, his immediate supervisor, provided no guidance as to procedures. Accordingly, Mr. Johnston continued operations in the norm set by his predecessors. The public money that came into the possession of the maintenance department while Mr. Johnston was supervisor, was handled in the same manner that had been the practice of the Department for years. Previously, petty cash had been placed in a file cabinet. Under Mr. Johnston's administration, a safe was purchased and the cash placed therein. The safe was placed in his office, yet he did not have sole access to the key nor did he know the combination without asking other personnel for it.¹

¹ Others had access to the safe; such as the locksmith, night cleaning lady and her son. Indeed, the son, on occasion, had sold the scrap metal and brought the cash to the office for placement in the safe.

ATTN: Ms. Jodie Carter
Mr. Stephen J. Theriot, CPA
April 2, 2009
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When the cash shortage was discovered, it was Mr. Johnston who immediately notified Danny Dison of the apparent theft. This money funded events that constituted positive behavior support for the employees. This was an initiative to bolster employee moral that was required to be undertaken by supervisors, such as Mr. Johnston. There apparently were three events a year for the maintenance employees and retirees; a Fourth of July barbeque; a fall party around Labor Day, and a Christmas Party. Mr. Johnston's supervisors came and ate the food at these events. They enjoyed themselves quite well at these functions. They knew these functions were paid out of school funds and they said nothing. **No one with the School Board System ever implied, suggested or complained that funds were being misused.**

In sum, B.T. Johnston did not wilfully violate any regulation relating to the handling of public funds. There were no set procedures for documenting the receipt of such funds. Again, B.T. Johnston was given no instruction about these matters. He, accordingly, maintained the procedures that were placed in effect long before he became superintendent of maintenance. He received absolutely no guidance when he assumed his current position that entailed providing maintenance for every Bossier Parish School. His first act in the position was to visit every school and obtain a list of respective maintenance needs. He then worked down the list in an effort to provide proper maintenance. He was, and will continue to be, an asset to the Bossier Parish School Board.

Mr. Johnston did his job and provided excellent service to the Bossier Parish School Board. It is certainly unfortunate that employees within his department lined their pockets at the expense of taxpayers. But one person is not responsible for all the ills of the Bossier Parish Schools. It was the system in place that created the problem and Mr. Johnston was not responsible for the creation of that system.

Mr. Johnston was not involved in any wrongdoing. The complained of thefts were not the result of incompetence or the failure properly to monitor this department. Rather, the incident was attributable to an incompetent system that failed to provide proper training for the maintenance supervisor. No one discussed with Mr. Johnston any procedure for the receipt of petty cash.

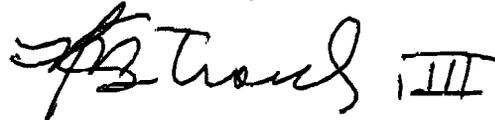
Mr. Johnston never received any complaint during his time from his supervisor, D.C. Machen. He had the misfortune of having some deceitful employees who placed greed above public service. Their actions were undertaken without the knowledge of Mr. Johnston.

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Indeed, Mr. Johnston performed his duties in accordance with the little instruction afforded him. His job was to keep buildings functional; nothing more, nothing less. Administrative duties were never discussed with him. That was the resulting fault of a system created by the Superintendent, and his staff.

Mr. Johnston welcomes the audit as a step in the right direction that will ultimately correct a system of accountability and documentation that has been woefully deficient.

Yours very truly,

A handwritten signature in cursive script that reads "A. M. Stroud, III". The signature is written in dark ink and is positioned to the left of the printed name.

A. M. Stroud, III

AMSIII/mb

cc: Mr. William T. Johnston