

ST. JOHN THE BAPTIST SCHOOL BOARD



COMPLIANCE AUDIT
ISSUED MARCH 18, 2009

**LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

March 18, 2009

Dr. Courtney P. Millet, Superintendent,
and Board Members
St. John the Baptist Parish School Board
118 West 10th Street
Reserve, Louisiana 70084

Dear Dr. Millet:

We have audited certain transactions of the St. John the Baptist Parish School Board (school board). Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain 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 of an audit 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 concerns and results of our audit are listed below for your consideration.

Background

The school board is comprised of 11 members who are elected from 11 districts for concurrent terms of four years. The school board operates 12 schools within the parish with a total enrollment of approximately 6,800 pupils.

Inadequate Documentation

From December 2004 to June 2007, the school board distributed one-time salary supplements to employees on three separate occasions using excess sales tax funds totaling approximately \$1,950,917.

- On December 2, 2004, the school board passed a motion to “give all employees a one-time funding of \$500.” This increase was paid for with excess sales tax and totaled approximately \$535,000.

- On May 18, 2006, the school board passed a motion to “authorize a one-time payment of \$1,000 for all employees.” This increase was paid for with excess sales tax in the pay period ending May 24, 2006, totaling \$946,667.
- On June 7, 2007, the school board passed a motion to give a “one-time adjustment to salary schedule for all employees of \$500.” This increase was paid for with excess sales tax in the pay period ending June 11, 2007, totaling \$469,250.

To show that salary supplements are compensation for future services, and not for the past services, the school board would have to document its intent at the beginning of each fiscal year by budgeting for an increase should funding be available. If salary increases are agreed upon at the beginning of the year for services to be rendered during that year and payable pending sufficient funds, then the increases would appear to be constitutional. However, the school board should be aware that one-time pay supplements obligate the board to continue the supplements annually unless a public hearing is held in accordance with Louisiana Revised Statute (R.S.) 17:422.5.A,¹ which affords the teachers the right to be heard before reduction of salaries.

Although the state constitution prohibits the unearned payment of funds to employees, the law allows for and the attorney general has historically opined that compensating employees for future services is permissible. However, the school board was unable to provide documentation that would confirm these payments were not extra compensation for past services or bonus payments of excess sales tax funds. Because of the lack of documentation, we cannot determine if the salary supplements paid to the employees were constitutionally allowable. According to Felix Boughton, finance director, the School Board passes these supplements when sales tax is available to keep its salaries competitive with the neighboring school boards. He added that these payments were not budgeted and were not part of the employees’ employment contracts.

Should the school board wish to continue to pay salary supplements to employees, the school board should implement policies and procedures to document that salary supplements are budgeted increases (pending available funds) for future services rather than compensation for past services or no services. In addition, these policies and procedures should ensure that the school board complies with state law should teacher salaries be reduced in the following year.

¹ R.S. 17:422.5.A provides, in part, that no city or parish school board shall reduce the salary of any public elementary or secondary school teacher or any group thereof without first holding a public hearing for the purpose of allowing such teacher to appear and be heard at least thirty days before the reduction in salary shall occur. Notice of the meeting shall be published at least thirty days prior to the meeting in the official journal of the parish where the city or parish school board is located.

Dr. Courtney P. Millet, Superintendent
March 18, 2009
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This correspondence represents our finding and recommendation as well as management's response. This correspondence is intended primarily for the information and use of management of the school board. I trust this information will assist you in the efficient and effective operations of the school board. Should you have any questions, please contact me at (225) 339-3839 or Mr. Dan Daigle, Director of Compliance Audit, at (225) 339-3808.

Sincerely,



Steve J. Theriot, CPA
Legislative Auditor

BM:GC:DD:dl

SJBSB09

Management's Response



St. John the Baptist Parish School Board

Making *A+* Difference: Accountability Assessment Achievement

Gerald J. Keller, Ph.D.
Board President

Patrick H. Sanders
Vice-President

Courtney P. Millet, Ph.D.
Superintendent

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February 18, 2009

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Re: Response to Special Audit Report

Dear Mr. Theriot:

I am in receipt of and thank you for the draft of your special audit report and exit conference. My review of the report has uncovered some issues which should be addressed.

Your report refers to "inadequate documentation." In our opinion, the term "inadequate documentation" is too strong. We feel that there was adequate documentation. When our Board granted these one-time supplements it was done at a public meeting which was advertised in our official journal and shown on television and was adopted in the official board minutes which is also advertised in the official journal. There was never any intent to mislead the public or grant salary adjustments that could be misinterpreted as bonuses or donations of public property.

So that there is not any confusion on documentation, if the Board decides to grant one-time salary adjustments in the future we will follow the following guidelines:

1. When our annual budget is adopted we will disclose that the Board reserves the right, pending a funding source, to grant one-time salary adjustments not included in the original budget.
2. It will be clear in the motion made by our Board that the supplement is for future services.
3. We will limit the Board to declaring these one-time supplements to:
 - Declaring a one-time supplement paid in the next fiscal year; or
 - Declaring a one-time supplement by December 31st to be paid in the current fiscal year.

Should you have any questions regarding this matter, please contact me at 985-536-1106.

Sincerely,

Courtney P. Millet, Ph.D.
Superintendent of Schools

CPM:ssp