

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board
Leesville, Louisiana**

**Financial Statement
June 30, 2019**

**Vernon Parish Sales Tax Agency Fund
Of the Vernon Parish School Board**

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**Vernon Parish Sales Tax Agency Fund
Of the Vernon Parish School Board**

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ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive

Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

Partners: Tim Green, CPA

Amy Tynes, CPA, CFE

Aimee Buchanan, CPA

Principal: Cindy Thomason, CPA

Jennie Henry, CPA, CFE

Austin Hogue, CPA

Crystal Patterson, CPA

Mallory Stone, CPA

Audit Manager: Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Independent Auditor's Report

Board Members

Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board
Leesville, Louisiana

Report on the Financial Statement

We have audited the accompanying Statement of Fiduciary Assets and Liabilities of the Vernon Parish Sales Tax Agency Fund of the Vernon Parish School Board, as of June 30, 2019, and the related notes to the financial statement, which collectively comprise the Vernon Parish Sales Tax Agency Fund of the Vernon Parish School Board's basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement of Fiduciary Assets and Liabilities presents fairly, in all material respects, the respective financial position of the Sales Tax Agency Fund, as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statement of the Vernon Parish Sales Tax Agency Fund is intended to present the financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the Vernon Parish School Board that is attributable to the Vernon Parish Sales Tax Agency, a fiduciary fund of the Vernon Parish School Board. The statement does not purport to, and does not, present fairly the financial position of the Vernon Parish School Board as of June 30, 2019 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statement. Such missing information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement of the Sales Tax Agency Fund. The other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the Statement of Fiduciary Assets and Liabilities.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the Statement of Fiduciary Assets and Liabilities, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019 on our consideration of the Sales Tax Agency Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sales Tax Agency Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sales Tax Agency Fund's internal control over financial reporting and compliance.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

December 31, 2019

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board**

**Statement of Fiduciary Assets and Liabilities
June 30, 2019**

Statement A

ASSETS

Accounts Receivable, net	\$ 2,743,876
Cash, Restricted - paid under protest	<u>141,763</u>
Total Assets	<u><u>\$ 2,885,639</u></u>

LIABILITIES

Deposits due others	\$ 2,743,876
Taxes paid under protest payable with restricted assets	<u>141,763</u>
Total Liabilities	<u><u>\$ 2,885,639</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board
Notes to the Financial Statement
June 30, 2019**

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**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board
Notes to the Financial Statement
June 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The Vernon Parish Sales Tax Agency Fund has been formed under joint agreement of the Vernon Parish School Board, the Vernon Parish Police Jury, the City of Leesville, the Town of New Llano, the Town of Rosepine, the Town of Hornbeck, the Vernon Parish Sheriff, and Office of Tourism for the collection of sales, use taxes and other fees, in accordance with Louisiana Revised Statutes 33:2844. The Vernon Parish School Board charges the joint governments a collection fee of 1.5% of total collections to cover operating costs for the Vernon Parish Sales Tax Agency Fund.

A. REPORTING ENTITY For financial reporting purposes, in conformance with Governmental Accounting Standards Board Statements, the Vernon Parish Sales Tax Agency Fund is an agency fund of the Vernon Parish School Board. Accordingly, the accompanying financial statements present only the accounts of the tax agency fund and are not intended to present fairly the financial position and results of operations of the Vernon Parish School Board in conformity with accounting principles generally accepted in the United States of America. The Vernon Parish Sales Tax Agency Fund is included as part of the basic financial statements of the Vernon Parish School Board.

B. FUND A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into one category, fiduciary. Fiduciary funds are used to account for assets held for others. The Sales Tax Agency fund requires the use of a fiduciary fund as described below:

Fiduciary Fund - The Vernon Parish Sales Tax Agency Fund is used to account for the collection and distribution of sales and use taxes imposed by the various taxing authorities within the parish. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. BASIS OF ACCOUNTING The basis of accounting for an agency fund is the accrual basis. The measurement focus is custodial, since the fund is not involved with the performance of governmental services. An agency fund has no revenues or expenditures and therefore there is no fund balance or need to measure the results of operations for a period.

D. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH The Vernon Parish Sales Tax Agency Fund receives money from various sales tax vendors. These collections are split deposited directly into the bank accounts of the various taxing bodies. Further, the Vernon Parish Sales Tax Agency Fund has no bank or investment accounts in its name. The School Board is holding monies in behalf of the Agency Fund for sales taxes paid under protest, which are restricted until the protest is resolved. See Note 6 for additional information.

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board
Notes to the Financial Statement
June 30, 2019**

NOTE 3 - CHANGES IN DEPOSITS DUE OTHERS A summary of changes in deposits due others for the year ended June 30, 2019, is as follows:

BALANCE, Beginning	\$ 3,569,224
ADDITIONS:	
Sales tax collections	28,703,823
DEDUCTIONS:	
Collection fees	442,937
Taxes distributed to others:	
Vernon Parish School Board	11,895,036
Vernon Parish Police Jury	8,915,851
Vernon Parish Sheriff Office	2,972,126
City of Leesville	4,319,826
Village of Rosepine	210,573
Village of New Llano	486,315
Town of Hornbeck	55,218
Office of Tourism	231,289
Total deductions	29,529,171
BALANCE, Ending	\$ 2,743,876

NOTE 4 - COMMITMENTS AND CONTINGENCIES The Vernon Parish Sales Tax Agency Fund is involved in lawsuits with one company in which the company is claiming they are not required to collect and remit sales tax. This company has been and is continuing to collect and remit the sales tax collections under protest until the lawsuit is settled. See Note 6 below. The outcomes and/or settlement of this lawsuit are uncertain as of the date of this report.

NOTE 5 - ACCOUNTS RECEIVABLE Accounts receivable of \$2,743,876 represents sales tax collections in July, 2019 for June sales and amounts owed on delinquent accounts. The Sales Tax Agency Fund has \$1,202,678, net of allowance for doubtful accounts of \$1,189,672, included in the accounts receivable balance for delinquent accounts, in which these accounts are under payment plans and are not expected to be collected within one year.

NOTE 6 - TAXES PAID UNDER PROTEST There is currently \$141,763 in Taxes Paid Under Protest. Taxes paid under protest are being held by the Vernon Parish School Board in a separate account. The courts have ruled in favor of the Sales Tax Agency Fund, however the outcome of this case remains uncertain. Legal counsel has advised that the Sales Tax Agency Fund should continue to hold these funds until a settlement or resolution of this case has been reached.

**Vernon Parish Sales Tax Agency Fund
Of the Vernon Parish School Board
Notes to the Financial Statement
June 30, 2019**

NOTE 7 - SALES TAX DISTRIBUTIONS The following schedule shows the sales tax distributions on a cash basis to the local governmental sales taxing entities for the fiscal year ended June 30, 2019:

	<u>Gross Amounts</u>	<u>Less Collection Fees</u>	<u>Net Distributions</u>
Vernon Parish School Board (2%)			
School Board (1%) 1973	\$ 6,038,089	\$ 90,571	\$ 5,947,518
School Board (1%) 1991	6,038,089	90,571	5,947,518
	<u>12,076,178</u>	<u>181,142</u>	<u>11,895,036</u>
Vernon Parish Police Jury (1.5%)			
Police Jury (1%) 2006	6,034,416	90,516	5,943,900
Police Jury (0.5%) 2006	3,017,209	45,258	2,971,951
	<u>9,051,625</u>	<u>135,774</u>	<u>8,915,851</u>
Vernon Parish Sheriff's Office			
Law Enforcement District (0.5%) 2004	3,017,387	45,261	2,972,126
City of Leesville (1.5%)			
City of Leesville (1%) 2004	2,923,740	43,856	2,879,884
City of Leesville (0.5%) 2004	1,461,870	21,928	1,439,942
	<u>4,385,610</u>	<u>65,784</u>	<u>4,319,826</u>
Village of Rosepine (1.5%)			
Village of Rosepine (1%) 2011 Renewal	142,520	2,138	140,382
Village of Rosepine (.5%) 2011	71,260	1,069	70,191
	<u>213,780</u>	<u>3,207</u>	<u>210,573</u>
Village of New Llano (1.5%)			
Village of New Llano (1%)	329,147	4,937	324,210
Village of New Llano (.5%) 2007	164,574	2,469	162,105
	<u>493,721</u>	<u>7,406</u>	<u>486,315</u>
Town of Hornbeck (1%)	<u>56,059</u>	<u>841</u>	<u>55,218</u>
Tourism (3%)	234,811	3,522	231,289
Total	<u>\$ 29,529,171</u>	<u>\$ 442,937</u>	<u>\$ 29,086,234</u>

A total of \$41,236 was billed to these entities for audit fees paid to external auditors. Payments were made from each governmental entity directly to the external auditor. Governmental entities are billed a collection fee of 1.5%, which is collected by the Sales Tax Agency Fund and remitted to the School Board.

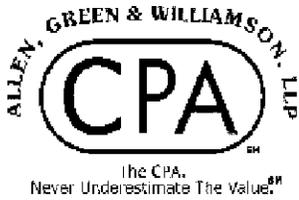
**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board**

OTHER INFORMATION

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board**

**Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2019**

The Vernon Parish Sales Tax Agency Fund is an agency fund of the Vernon Parish School Board. The schedule of compensation, benefits, and other payments to the agency head for the Vernon Parish School Board is included in the audit report for Vernon Parish School Board.



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422
Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Partners: Tim Green, CPA
Amy Tynes, CPA, CFE
Aimee Buchanan, CPA
Principal: Cindy Thomason, CPA

Jennie Henry, CPA, CFE
Austin Hogue, CPA
Crystal Patterson, CPA
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Audit Manager: Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board Members

Vernon Parish Sales Tax Agency Fund of the Vernon Parish School Board
Leesville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Fiduciary Assets and Liabilities of the Vernon Parish Sales Tax Agency Fund of the Vernon Parish School Board, as of June 30, 2019, and the related notes to the financial statement, which collectively comprise the Sales Tax Agency Fund's basic financial statement, and have issued our report thereon dated December 31, 2019.

Emphasis of Matter

As discussed in Note 1, the financial statement of the Vernon Parish Sales Tax Agency Fund is intended to present the financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the Vernon Parish School Board that is attributable to the Vernon Parish Sales Tax Agency, a fiduciary fund of the Vernon Parish School Board. The statement does not purport to, and does not, present fairly the financial position of the Vernon Parish School Board as of June 30, 2019 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Sales Tax Agency Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sales Tax Agency Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sales Tax Agency Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sales Tax Agency Fund's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

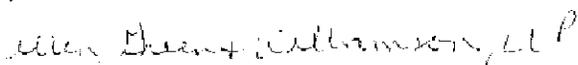
Vernon Parish Sales Tax Agency Fund's Response to Findings

The Sales Tax Agency Fund's response to the finding identified in our audit is described in the accompanying corrective action plan for current year findings and questioned costs. The Sales Tax Agency Fund's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Sales Tax Agency Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sales Tax Agency Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the audit committee, management, others within the entity, and the Vernon Parish Police Jury, the City of Leesville, the Village of New Llano, the Village of Rosepine, the Town of Hornbeck, the Vernon Parish Sheriff's Office, and the Office of Tourism, and is not intended to be and should not be used by anyone other than the specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
December 31, 2019

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board**

Schedule of Findings and Questioned Costs

Reference # and title: **2019-001** **Delinquent Accounts**

Origination Date: The finding originated in fiscal year June 30, 2019.

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirements: The Sales Tax Agency has written procedures for delinquent accounts. The first month, a delinquency letter is mailed to the taxpayer. The second month, a delinquency letter signed by someone with the District Attorney's office is mailed to the taxpayer. Each successive month, this delinquency letter is delivered via regular mail until the assessment procedures begin. Assessment procedures are determined on a case by case basis. If the taxpayer does not respond to the assessment, a notice of intent to assess letter is mailed to the taxpayer. If there is still no response from the taxpayer, the account is turned over the District Attorney's office.

Condition found: There are numerous vendors in the parish who have proceeded through this process but still owe sales tax. Some of these vendors are still operating. These delinquent accounts total \$1,202,678 at June 30, 2019. Approximately half of these account balances are set up under repayment agreements that vary significantly in underlying repayment terms.

The balances of repayment agreements are not monitored on a consistent basis. In reviewing several accounts it appears that very few vendors with payment agreements are actually making payments on a consistent basis.

Context: This finding relates to sales tax collections for all entities that levy sales tax in the parish.

Possible asserted effect (cause and effect):

Cause: Delinquent accounts, including repayment agreements, are not monitored on a consistent basis.

Effect: Lack of consistent monitoring of repayment agreements allows vendors to continue not paying sales taxes and governments do not have these resources to operate.

Recommendation to prevent future occurrence: Delinquent accounts, especially vendor accounts with repayment agreements who are still operating, should be monitored monthly and failure to make scheduled payments should be aggressively pursued.

View of responsible official: See page 18.

Vernon Parish School Board

201 Belview Road
LEESVILLE, LOUISIANA 71446
(337) 239-3401
Fax (337) 238-5777

Corrective Action Plan For Current Year Findings and Questioned Costs

BOARD MEMBERS:

District One
Doug Brandon
Robert Pynes, Jr.
Jim Seaman
Jackie Self
Steve Woods

District Two
Angie Davis

District Three
David Detz

District Four
Randy Martin

District Five
Shad Stewart

District Six
Vernon L. Travis, Jr.

District Seven
John Blankenbaker

District Eight
Lisa Thompson

Reference # and title: 2019-001 Delinquent Accounts

Condition: The Sales Tax Agency has written procedures for delinquent accounts. The first month, a delinquency letter is mailed to the taxpayer. The second month, a delinquency letter signed by someone with the District Attorney's office is mailed to the taxpayer. Each successive month, this delinquency letter is delivered via regular mail until the assessment procedures begin. Assessment procedures are determined on a case by case basis. If the taxpayer does not respond to the assessment, a notice of intent to assess letter is mailed to the taxpayer. If there is still no response from the taxpayer, the account is turned over to the District Attorney's office.

There are numerous vendors in the parish who have proceeded through this process but still owe sales tax. Some of these vendors are still operating. These delinquent accounts total \$1,202,678 at June 30, 2019. Approximately half of these account balances are set up under repayment agreements that vary significantly in underlying repayment terms.

Corrective action planned: Delinquent vendor accounts will be handled more aggressively. We will utilize the Office of Debt Recovery with the State of Louisiana to turn over some of our delinquent accounts for collection. We have also turned over some of these accounts to our sales tax lawyer for litigation. We will also pursue the delinquent accounts through the District Attorney's Office for prosecution. The Assistant Sales Tax Office Manager and the Director of Finance will review the delinquent list on a monthly basis.

Person responsible for corrective action plan:

Tim Ward, Executive Director
Vernon Parish School Board
201 Belview Rd.
Leesville, La 71446

Anticipated completion date: February 1, 2020

**Vernon Parish Sales Tax Agency Fund
of the Vernon Parish School Board
June 30, 2019**

Status of Prior Year Management Letter Items

2018-M1 Committee Member Meetings

Comment: The sales tax committee is composed of members from the Vernon Parish School Board, Vernon Parish Police Jury, City of Leesville, Town of New Llano, Town of Rosepine, Town of Hornbeck, Vernon Parish Sheriff's Office, and the Office of Tourism. The Committee does not meet on a regular basis. The Director of Finance of the School Board communicates with the various governments on collections, payment agreements, etc. on a monthly basis. Decisions are made based on these communications. These discussions should take place in a regular scheduled committee meeting.

Recommendation: The Committee Members should establish and adhere to a regular meeting schedule. Decisions on policies and procedures should be approved by the Committee.

Management's response: The Vernon Parish Sales Tax Committee will be encouraged to meet on a regular basis, at least semiannually. Information will be sent to each committee member on a monthly basis concerning audits, policies, procedures, and any other vital information. In the event that a formal meeting cannot take place then a teleconference meeting will take place.

2018-M2 Payment Agreements

Comment: The Sales Tax Agency has written procedures for delinquent sales tax accounts. The first month, a delinquency letter is mailed to the taxpayer. The second month, a delinquency letter signed by the District Attorney's Office is mailed to the taxpayer. Each successive month, this delinquency letter is delivered via regular mail until the assessment procedures began. Assessment procedures are determined on a case by case basis. If the taxpayer does not respond to the assessment, a notice of intent to assess letter is mailed to the taxpayer. If there is still no response from the taxpayer, the account is turned over to the District Attorney's Office. The Sales Tax Agency has numerous vendors who have proceeded through this process; but still owe sales tax. These delinquent accounts total \$1,230,494 as of June 30, 2019. Of this amount, \$702,930 are set up on payment agreements that vary significantly in underlying repayment terms.

Recommendation: Written procedures for payment plans should specify criteria such as number of months, down payment, monthly payment, etc. A separate ledger should be maintained that shows payments in accordance with the payment plans. These procedures should incorporate approval of the Vernon Parish Sales Tax Committee.

Management's Response: See current year finding 2019-001.