



# OFFICE OF INSPECTOR GENERAL JEFFERSON PARISH



## JPOIG HIGHLIGHTS **Sales Tax Costs 2020-0034**

June 16, 2021

### Why We Investigated

This case was initiated based upon internal information. The main goal of this investigation was to: assess whether the Parish can realize additional savings by authorizing private entities to claim Jefferson Parish's tax-exempt status when performing work for parish government.

### What We Found

The JPOIG reviewed 1,840 individual invoices associated with 7 individual vendors and identified the Parish had expended nearly \$700,000 in avoidable tax costs.

The JPOIG found: (1) the Parish absorbed costs of sales tax that were avoidable under state law and (2) the Parish Code of Ordinance, Appendix A Rule 26 confuses the Parish's claim of tax-exempt status.

The JPOIG observed that the Parish has recently adopted a practice to assert tax-exempt status on public works projects bids.

#### For Further Information:

Contact our Office at (504) 736-8962, or email us at [info@JPOIG.net](mailto:info@JPOIG.net)

### What We Recommended

The JPOIG made five (5) recommendations to the Parish Administration and two (2) recommendations to the Parish Council.

The JPOIG recommended that the Administration:

- Perform an assessment across all procurement methods: bids and Requests for Proposals ("RFPs").
- Develop a policy(ies) to address each procurement method in which the Parish may assert its tax-exempt status under state law.
- Identify projects where the Parish may assert its tax-exempt status, and advertise the projects as sales-tax exempt, whether by bid or RFP.
- Identify and implement controls to periodically sample supporting information for invoices to validate whether the Parish has incurred sales tax costs when the contractor has been authorized to assert the Parish's tax-exempt status.
- Maintain data on sales tax savings for projects that the Parish authorized the contractor to assert the Parish's sales tax-exempt status.

The JPOIG recommended that the Council:

- Amend the JPCO Appendix A to align with state law and clarify the Parish's determination to claim its tax-exempt status on Parish taxes.
- Review the "General Conditions and Agreement for the Purchase of Materials, Supplies or Services and Public Works Projects," Resolution No. 13653, and consider amending, if necessary.

### Responses

The Administration noted in the response to Finding #1 and Observation #1 that corrective action had been implemented effective 10/01/2020. Additionally, the Administration noted that "the Department of Accounting tracks sales tax savings through a Sales Tax Exemption reporting form which each contractor must complete and submit to the Department prior to final payment."

Council Chairman Scott Walker responded to the report, noted that the two recommendations for Finding #2 will be taken under consideration.