

NEW ORLEANS CENTER FOR CREATIVE ARTS
SPECIAL SCHOOLS & COMMISSIONS

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 6, 2021

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



New Orleans Center for Creative Arts
Special Schools and Commissions

October 2021

Audit Control # 80210002

Introduction

The primary purpose of our procedures at the New Orleans Center for Creative Arts (NOCCA) was to evaluate certain controls NOCCA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

Results of Our Procedures

We evaluated NOCCA’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of NOCCA’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll and personnel, purchasing card expenditures, the LaGov information system, student information system, and the student activity fund.

Current-report Finding

Improper Awarding, Recording and Payment of Leave to Separated Employees

NOCCA’s awarding and recording of leave was not consistent with state laws and regulations, which resulted in leave recorded as sick in the LaGov payroll system, but counted as annual leave by NOCCA, to be paid out to 12 employees: two classified retirees, two unclassified retirees, and eight terminating teachers. These payments, classified as sick leave in LaGov, totaled \$54,540 from July 1, 2019, through April 20, 2021.

The Louisiana State Civil Service handbook, Chapter 11 and Executive Order JBE 2016-75 note that both classified and unclassified employees, respectively, are not entitled to receive payment of accrued sick leave upon separation from state service. For unclassified teachers hired after July 1, 2000, NOCCA may apply laws in Louisiana Revised Statute (R.S.) 17:1970.26, which includes leave guidance for teachers to be paid up to 25 days of unused sick leave upon retirement or death prior to retirement only. If NOCCA chooses not to apply R.S. 17:1970.26, JBE 2016-75 provides a formula, based on years of service and actual hours worked, for the earning of sick and annual leave for unclassified state employees.

This occurred because NOCCA's leave policies mix different aspects of teacher-specific statutes with the Executive Order that applies to unclassified employees, resulting in teachers being awarded 10 days of annual leave per school year, counted as sick leave in the LaGov payroll system. In addition, NOCCA is not following its policies for classified/unclassified employee sick leave payout. Failure to follow state laws and guidelines related to the awarding, recording, and payout of accrued leave to separated employees' places NOCCA in noncompliance with such laws and guidelines.

NOCCA should revise and implement updated policies for teaching staff to reflect the guidance provided by state laws and regulations and follow its policies for classified/unclassified employee sick leave payout. If NOCCA chooses to follow the Executive Order leave provisions, it should work with state payroll to ensure its teachers are set up in the LaGov system appropriately. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Payroll and Personnel

Salaries and related benefits comprise approximately 76% and 78% of NOCCA's expenditures in fiscal years 2020 and 2021, respectively. We obtained an understanding of NOCCA's controls over the time and attendance function and reviewed selected employee time statements and leave records. We randomly selected employee payrolls that occurred during the period of July 1, 2019, through December 31, 2020. Based on the results of our procedures, NOCCA had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

Purchasing Card Expenditures

NOCCA participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenditures. We obtained an understanding of NOCCA's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2019, through December 31, 2020, and reviewed selected transactions. Based on the results of our procedures, NOCCA had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

LaGov Information System

In fiscal year 2020, NOCCA completed its implementation of the LaGov enterprise resource planning (ERP) system that is used for financial recording and reporting, purchasing, human resources, and movable property functions. We obtained an understanding of NOCCA's controls

over access to and use of the LaGov ERP system. We performed procedures to determine whether the ERP system access was restricted based on business-need and access was adequately segregated. Based on our procedures, we determined that NOCCA had adequate controls in place to ensure access was properly restricted and segregated in the LaGov system.

We also reviewed LaGov reports to identify payouts of annual and sick leave to employees in fiscal years 2020 and 2021 to ensure the payouts followed Civil Service, state laws and/or agency policy. Based on our review of leave payouts, we determined that NOCCA's awarding, recording and payment of leave to separated employees was not consistent with state laws and regulations (see Current-report Finding section).

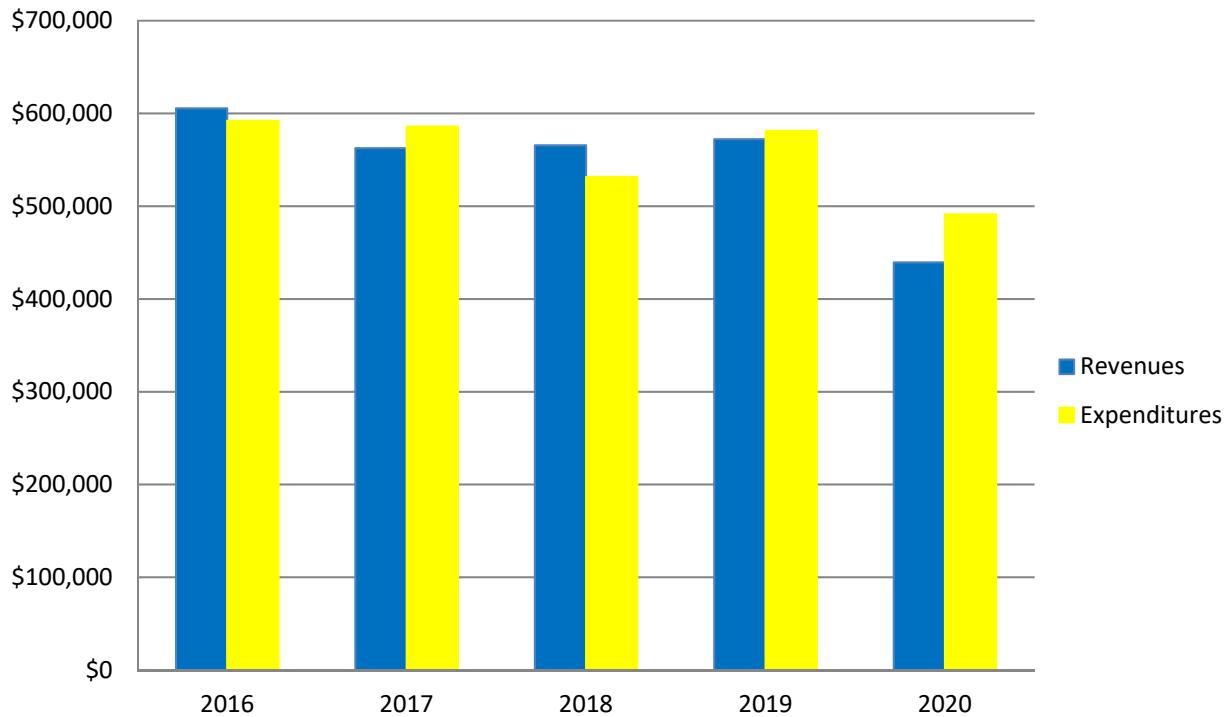
Student Information System

NOCCA uses the PowerSchool student information system (SIS) to collect, store, and maintain student data. We obtained an understanding of NOCCA's controls over access to and use of the PowerSchool SIS. We performed procedures to determine whether information system access was restricted based on business-need and segregated by user groups based on job duties. Based on the results of our procedures, NOCCA had adequate controls in place to ensure access was properly restricted and segregated in the PowerSchool SIS.

Student Activity Fund

NOCCA maintains a student activity fund (SAF) that accrues funds, for the benefit of its students, from student fees, fundraisers, vending machine commissions, and library fees. We obtained an understanding of NOCCA's controls over the SAF cash receipts and disbursements, and examined support for selected SAF transactions. Based on the results of our procedures, NOCCA had adequate controls in place to ensure that SAF transactions were properly authorized, accurately recorded, adequately supported, and in compliance with applicable laws and regulations. Exhibit 1 shows the SAF revenues and expenditures over the last five fiscal years ending June 30, 2020.

**Exhibit 1
Five-Year trend – Student Activity Fund
Revenues and Expenditures**



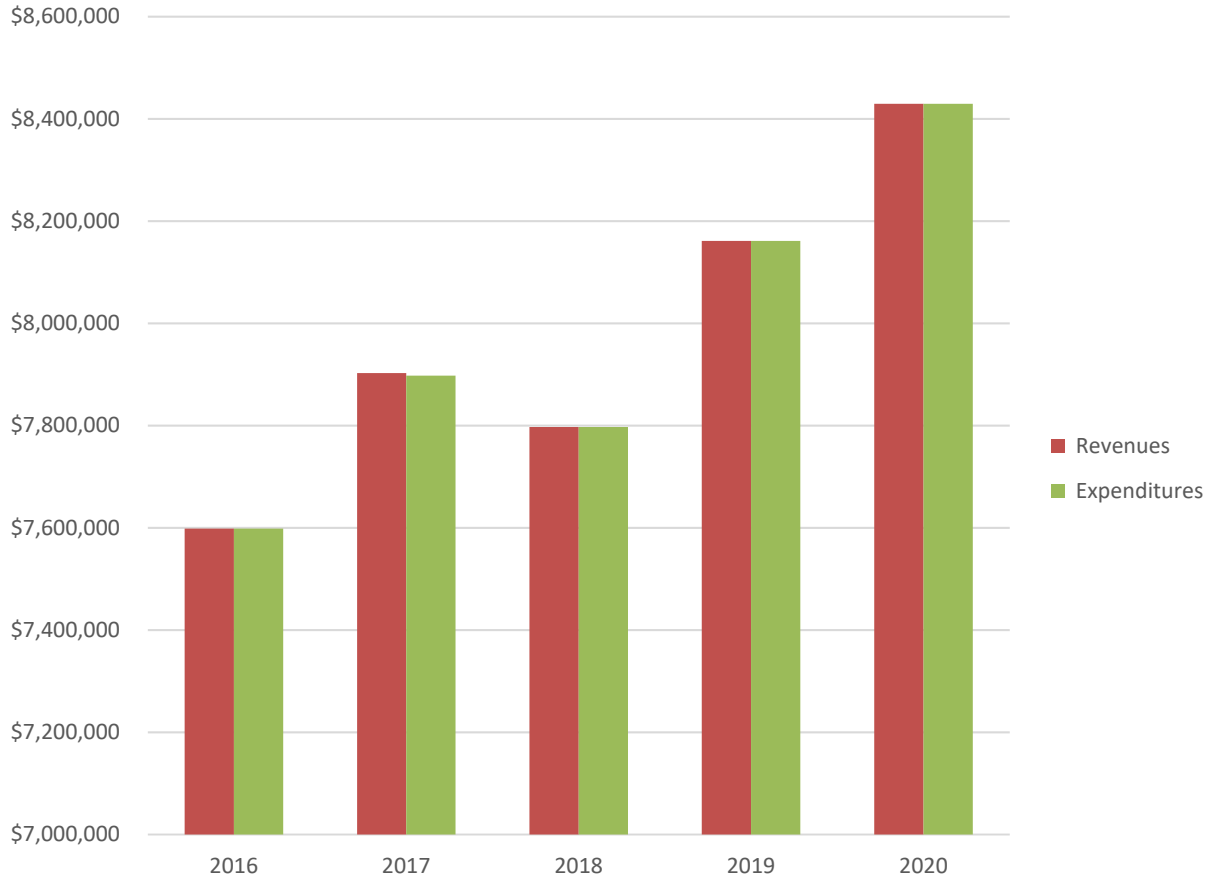
Source: NOCCA's Fiscal Year 2016-2020 Annual Fiscal Reports

Trend Analysis

We compared the most current and prior-year financial activity using NOCCA’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from NOCCA’s management for any significant variances. We also prepared an analysis of NOCCA’s revenues and expenditures over the last five fiscal years ending June 30, 2020, as shown in Exhibit 2.

In analyzing financial trends over the past five fiscal years, expenditures increased 8% from fiscal year 2018 to fiscal year 2020. The increase in expenditures is largely due to increases in salary and related benefits, driven by newly created positions at NOCCA, as well as cost-of-living adjustments granted to both classified and unclassified employees.

Exhibit 2 Five-Year Trend – Revenues and Expenditures



Source: Fiscal Year 2016-2020 Annual Fiscal Reports and system-generated reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KPD:AD:RR:EFS:aa

NOCCA2021

APPENDIX A: MANAGEMENT'S RESPONSE



September 21, 2021

Mr. Michael Waguespack, CPA
Legislative Auditor
Office of the Legislative Auditor
Box 94397
Baton Rouge, LA 70804

RE: Audit Finding -- Improper Awarding, Recording and Payment of Leave for Separated Employees

Dear Mr. Waguespack:

NOCCA is submitting this letter in response to Mr. Kaliff Adair's letter relative to the audit finding referenced above relating to the New Orleans Center for Creative Arts (NOCCA). NOCCA agrees that it should revise and implement updated policies for teaching staff to reflect the guidance provided by state laws and regulations and follow those policies for classified/unclassified employees sick leave payout.

Response and Corrective Action: NOCCA will work with all applicable state agencies including but not limited to the Attorney General's Office and the Division of Administration to come to a resolution for teaching staff regarding leave earnings and update our policies in accordance with the law. Should an update to legislation be required to accommodate the unique position of NOCCA's teachers, we will initiate the process to update legislation that will accommodate those required changes.

While the process to find a resolution moves through the appropriate channels within the State Government, NOCCA will present an interim resolution to the NOCCA Board of Directors to codify practices while we await resolution with the State.

Responsible Parties: Kyle Wedberg, President CEO and Lotte Delaney, CFO

Completion Date: December 31, 2021 for the interim Board Policy and further actions pending responses from state partner agencies

I appreciate the professionalism and cooperation your office has shown NOCCA throughout this audit process. Should you require additional information, please contact Lotte Delaney, CFO.

New Orleans Center For Creative Arts

In Service,

A handwritten signature in blue ink, appearing to read 'KW', is written over the typed name and title.

Kyle Wedberg
President/CEO NOCCA

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the New Orleans Center for Creative Arts (NOCCA) for the period from July 1, 2019, through June 30, 2021. Our objective was to evaluate certain controls NOCCA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review NOCCA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. NOCCA's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated NOCCA's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to NOCCA.
- Based on the documentation of NOCCA's controls and our understanding of related laws and regulations and results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll and personnel, purchasing card expenditures, the LaGov information system, student information system, and the student activity fund.
- We compared the most current and prior-year financial activity using NOCCA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from NOCCA's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at NOCCA, and not to provide an opinion on the effectiveness of NOCCA's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.