

NEW ORLEANS CENTER FOR CREATIVE ARTS

SPECIAL SCHOOLS & COMMISSIONS

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued May 10, 2023**

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9927 or Report ID No. 80230002 for additional information.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.25. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Jenifer Schaye, General Counsel, at 225-339-3800.

Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



**New Orleans Center for Creative Arts
Special Schools & Commissions**

May 2023

Audit Control # 80230002

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. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

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 relating to movable property, payroll and personnel, leave payouts, contract payments, and operating service expenditures.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in NOCCA's procedural report dated October 6, 2021. The prior-report finding related to Improper Awarding, Recording and Payment of Leave to Separated Employees has not been fully resolved and is addressed again in this report.

Current-report Finding

Improper Payment of Leave to Separated Employees

NOCCA improperly paid \$28,465 to eight teachers for sick leave balances upon resigning from NOCCA between August 2021 to August 2022. Per state law and NOCCA policy, upon the retirement of any public school member of the teaching staff, or upon his death prior to retirement, his employer shall pay to such member of the teaching staff or to his heirs or assigns, sick leave which has accrued to such member of the teaching staff but which

remains unused at the time of his retirement or at the time of his death if prior to retirement, not to exceed 25 days of such unused sick leave.

This occurred because NOCCA did not revise its policy until September 2022 to pay accrued, unused sick leave for unclassified teaching staff only at the time of retirement or death. Failure to follow state laws related to the payout of accrued sick leave to separated employees places NOCCA in noncompliance with such laws. This is the second consecutive engagement we have reported errors with leave payout.

NOCCA should follow its revised policies for faculty sick leave payout. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Movable Property

NOCCA owned approximately 600 items of movable property with original costs of \$1.5 million for fiscal years 2022 and 2023. We obtained and reviewed the Certifications of Annual Property Inventory to determine if there was an excessive amount of unlocated property. We also obtained an understanding of internal control and tested selected movable property transactions from the asset listing reports and from NOCCA's campus. Based on the results of our procedures, NOCCA had adequate controls in place to ensure that assets were properly safeguarded and accurately recorded in the asset management system.

Payroll and Personnel

Salaries and related benefits comprise approximately 77% of NOCCA's expenditures in fiscal years 2022 and 75% for the first six months in fiscal year 2023. We obtained an understanding of NOCCA's controls over the time and attendance function and reviewed selected employee time statements and leave records. 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.

Leave Payouts

We reviewed LaGov reports to identify payouts of annual and sick leave to employees in fiscal years 2022 and 2023 to ensure the payouts followed Civil Service requirements, state laws and/or agency policy. Based on the results of our procedures, we determined NOCCA's payment of sick leave to separated employees was not in compliance with state laws and regulations (see Current-report Finding section).

Contract Payments

We obtained an understanding of NOCCA's controls over contract payments. We examined selected contracts, invoices, and payments for compliance with state laws and contract terms. Based on the results of our procedures, NOCCA had adequate controls in place to ensure that contracts were properly approved, and expenditures were in accordance with the terms of the contracts.

Operating Service Expenditures

We obtained an understanding of controls over operating service expenditures. We reviewed selected transactions during the period July 1, 2021, through December 31, 2022, and examined supporting documents, including purchase requisitions, purchase orders, invoices, and contracts. Based on the results of our procedures NOCCA had adequate controls in place to ensure operating service expenditures were properly recorded, adequately supported and authorized, and in compliance with applicable laws and regulations.

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.

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

ELE:AD:RR:EFS:aa

NOCCA2023

APPENDIX A: MANAGEMENT'S RESPONSE



April 28, 2023

Mr. Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

RE: Audit Finding -- Improper Payment of Leave to Separated Employees

Dear Mr. Waguespack:

NOCCA is submitting this letter in response to the audit finding referenced above relating to the New Orleans Center for Creative Arts (NOCCA). NOCCA concurs with the finding and agrees that it should follow its revised policies for faculty sick leave payout.

Response and Corrective Action: This finding was initially reported in October 2021. In response to that finding, NOCCA undertook a lengthy and deliberate review of the applicable laws and state rules and policies to determine the most appropriate course of action for our faculty. This included guidance from Adams and Reese, legal counsel for the NOCCA Board of Directors; and coordination with the Division of Administration. The review was completed in September 2022 and the NOCCA Board of Directors took action to update the NOCCA faculty handbook to ratify the language necessary to be in compliance with Louisiana Revised Statute (R.S.) 17:1970.26, JBE 2016-75; and State Civil Service rules.

Responsible Parties: Silas Cooper, President/CEO and Lotte Delaney, CFO

Completion Date: This work was completed on September 22, 2022 and the faculty/staff handbook was updated to reflect changes in compliance with Louisiana Revised Statute (R.S.) 17:1970.26, JBE 2016-75; and State Civil Service rules.



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.

In Service,

A handwritten signature in blue ink, appearing to read "Silas Cooper".

Silas Cooper
President/CEO

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the New Orleans Center for Creative Arts (NOCCA) for the period from July 1, 2021, through May 3, 2023. 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 the NOCCA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The 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 relating to movable property, payroll and personnel, leave payouts, contracts payments, and operating service expenditures.
- 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.