

## Audubon Commission & Audubon Nature Institute Purchase Cards and Expense Reimbursements Audit

AD-15-0002 • December 18, 2019

### **Purpose of This Report**

The Office of Inspector General (OIG) conducted a performance audit of the Audubon Nature Institute's (Institute) internal controls over employee purchase card transactions and expense reimbursements for the period of January 1, 2013 – December 31, 2014. The objectives of the audit were to determine if the Institute's policies governing purchase card transactions and expense reimbursements complied with best practices, provided adequate controls to ensure all expenses were business related and allowed by law, and to ensure the Institute complied with its policies as well as applicable laws and/or best practices as it pertained to the expenditure of Audubon Commission (Commission) funds.

### **What the OIG Found**

All monies spent by the Institute are public funds belonging to the Commission, whether property taxes, ticket sales, or fundraising. Use of Commission funds are restricted by the Louisiana Constitution, Art.7, Sect. 14(A). The Institute and the Commission operate with a contract ostensibly approved by the New Orleans City Council. Under the contract's hybrid structure – part Management Agreement/part Cooperative Endeavor Agreement (CEA) – the Institute obfuscates its use of Commission funds through various accounting codes and through reliance on a management agreement which created obligations the Institute could not reasonably expect to accomplish for the \$50,000 management fee paid by the Commission to the Institute. Yet, the structure of the contract between the Institute and Commission enabled the Institute to characterize this obvious shortfall as their explanation of the CEA portion of the contract. Therefore, where a prohibited expense was found under the Louisiana Constitution Art. 7, Sec. 14(A), the Institute, in effect, claimed it was a permissible expense under the Management Agreement portion of their contract and not subject to constitutional scrutiny. Under the contract between the parties, only \$50,000 – the management fee – would arguably be exempt from Constitutional review.

The Institute's ability to rely on the management agreement provisions is limited to the \$50,000 management fee. However, as described below, during the course of the audit, the OIG identified approximately \$435,000 in which the Institute used Commission funds to pay for expenses that may have violated the Louisiana Constitution.

- 1) The Institute incurred \$33,961 on purchase cards and reimbursed employees \$4,718 for expenses that appeared to lack a public purpose. When projected to the population, the Institute incurred \$209,483 on purchase cards and reimbursed employees \$5,665 for expenses which may have lacked a public purpose.
- 2) The Institute used at least \$220,898 of Commission funds to urge voters to support the "Vote 'Yes' for Audubon" 2014 millage campaign. The Institute also may have violated state law when it filed untimely campaign finance reports.

Finally, the OIG identified contracts totaling \$308,000 which the Institute entered into without obtaining competitive bids, and as a result, the Institute may have violated state law.

### **What the OIG Found (continued)**

Despite the findings noted above, the Institute developed and adopted policies governing employee purchase cards and expense reimbursements, and those policies complied with best practices. The Institute's controls over the issuance and cancellation of its purchase cards, as well as its review and approval of transactions, were also implemented and operating effectively.

### **What the OIG Recommended**

#### **To resolve these findings, the OIG recommends:**

- The Commission should enter into a management agreement that includes an appropriate management fee for services provided or enter into a CEA with the Institute that comports with constitutional and municipal requirements.
- The Institute should maintain separate bank accounts to segregate Commission and Institute funds. The Institute should revise its policies to recognize the public nature of Commission funds, including unconstitutional spending pursuant to Louisiana Constitution Article VII, Section 14(A) and Louisiana Constitution Article XI, Section 4. The Institute should monitor deadlines to ensure it reports all campaign contributions received and expenses incurred by the deadlines established by state law.
- The Institute should revise its Purchasing Guidelines and Procedures to include policies governing non-professional services, as well as service contracts with substantial materials and supplies components that are compliant with CAO Policy Memorandum 24(R) and state law.

The Audubon Commission operates on behalf of the City of New Orleans to provide for the management of some of the City's greatest assets and attractions. The Institute was and remains obligated to use Commission funds in the most fiscally responsible and transparent manner. To do so, the Institute should enter into a management agreement and receive payments closely tied to their yearly budget. Such a structure would require the Institute to pay closer attention internally to their spending. Otherwise, if the Institute wishes to enter into a constitutionally permitted CEA, their spending will be subject to the prohibitions of the Louisiana Constitution.

The Commission and the Institute were fully cooperative during the course of the audit. We commend them for the positive finding, and we thank them for their continued efforts to improve operations.

### **Audubon Commission and Audubon Nature Institute Comments**

The Commission and the Institute contended that the Institute was making some changes. They "are reviewing the [contract] to determine if additional best practices can be implemented." They are also "evaluating alternatives such as implementing a revised means of segregating funds generated by the [Institute]... including establishing a separate bank account for such expenditures, rather than a separate accounting code..." Furthermore, the expenses related to the 2019 parks millage campaign were "raised by the [Institute] and maintained in a separate [Institute] bank account."