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City Internal Auditor

**REPORT TO THE CITY  
COUNCIL  
BY THE CITY INTERNAL  
AUDITOR**

**AUDIT OF THE CONTRACT BETWEEN THE  
CITY OF SHREVEPORT AND SHREVEPORT  
REGIONAL ARTS COUNCIL (SRAC)**

**INTERNAL AUDIT REPORT  
(IAR) 240116-06**

**December 9, 2016**

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**Report Highlights**

**Page(s)**

- SRAC should amend By-Laws to include existing conflict of interest policy. 10
- SRAC should expand presence on contemporary social network platforms. 10



The Council  
City of Shreveport

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December 9, 2016

Councilman Willie Bradford  
Chairman, Shreveport City Council

Dear Councilman Bradford:

Subject: IAR 240116-06 – Audit of the Contract between the City of Shreveport and Shreveport Regional Arts Council (SRAC)

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward, CPA, CIA  
City Internal Auditor

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**EXECUTIVE SUMMARY**  
**AUDIT OF THE CONTRACT BETWEEN THE CITY OF SHREVEPORT**  
**AND SHREVEPORT REGIONAL ARTS COUNCIL (SRAC)**  
**INTERNAL AUDIT REPORT (IAR) 240116-06**

**Performance Audit:**

**Shreveport Regional Arts Council  
(SRAC)**

**What We Found**

Shreveport Regional Arts Council (SRAC) is an entity with a purpose to develop, nurture, promote, engage and educate the people of Northwest Louisiana about the Arts, maximizing access to the Arts since 1976. SRAC is founded on the premise that the Arts are an integral part of every life. It has several well-known artistic public events such as ArtBreak, ArtSpace, UnScene, and Shreveport Common. Generally, we found that operational and administrative controls within the organization were adequate. However, we found areas that SRAC could improve to enhance controls and operational efficiency and effectiveness.

We identified the following issues:

- **SRAC should amend the By-Laws to include existing conflict of interest policy and board member selection procedure.**
- **SRAC should expand presence on contemporary social network platforms.**

**Why We Did This Audit**

We have completed an audit of the contract between the City of Shreveport and Shreveport Regional Arts Council (SRAC). This audit was conducted as one of our regularly scheduled audits included in the annual Audit Plan developed by the City Internal Auditor. Our objective was to determine if the Shreveport Regional Arts Council (SRAC) was operating efficiently and effectively in accordance with the contract agreement.

**What We Recommended**

To improve controls and operational efficiency and effectiveness we recommend the Shreveport Regional Arts Council (SRAC):

- Amend the By-Laws to include existing conflict of interest policy and board member selection procedure.
- Expand presence in contemporary social network platforms.

## INDEX

Executive Summary .....	1
Index .....	2
Introduction .....	3
Recommendation Evaluation Risk Criteria.....	7
Scope and Methodology .....	8
Findings and Recommendations .....	9
Amend the By-Laws .....	10
Expand Social Media Platforms .....	10



## Introduction

Shreveport Regional Arts Council (SRAC) is an entity with the purpose to develop, nurture, promote, engage and educate the people of Northwest Louisiana about the Arts, and maximizing access to the Arts since 1976. SRAC is founded on the premise that the Arts are an integral part of every life. Over the years, SRAC has operated as the City of Shreveport's Arts Administrator and provided technical and administrative support, and served as the arts grant (re-grant) agency on the behalf of the City. It has several well-known artistic public events such as ArtBreak, ArtSpace, UnScene, and Shreveport Common.

ArtBreak 2016 pictures (from Internal Audit fieldwork):

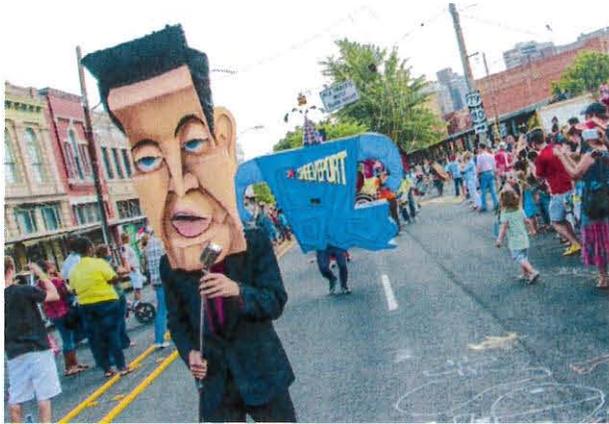


ArtSpace (from SRAC website):





UnScene (from SRAC website):



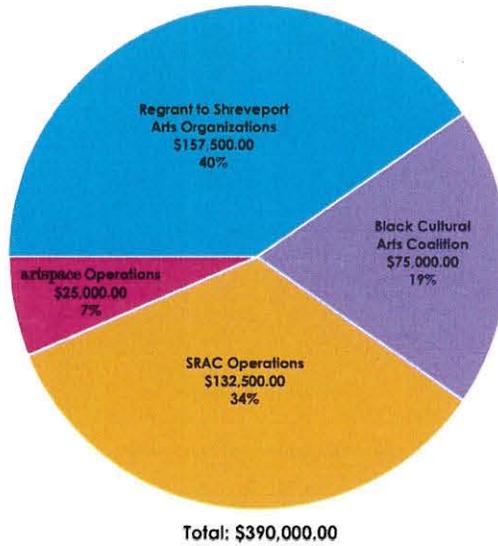
Shreveport Common (from Internal Audit fieldwork and SRAC website):



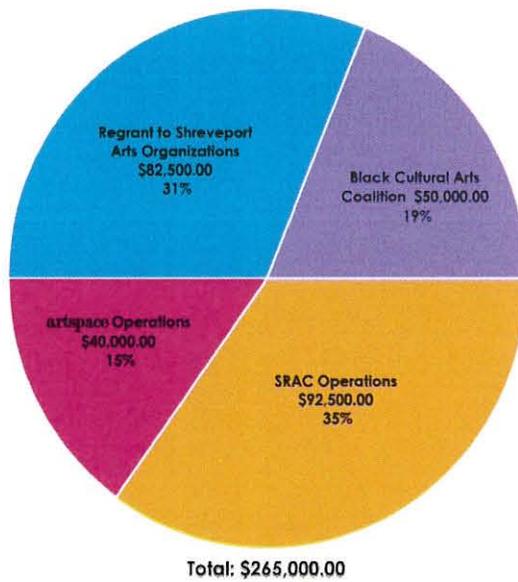


Below is the City of Shreveport's funding distribution to SRAC for years 2013 through 2015.

City of Shreveport's Allocation to SRAC - 2015

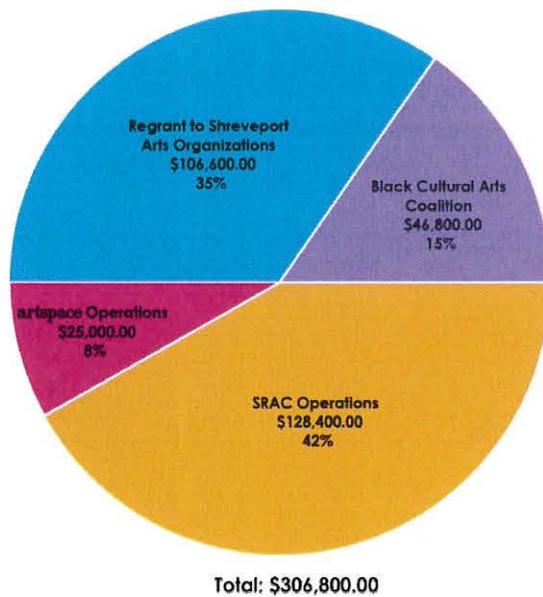


City of Shreveport's Allocation to SRAC - 2014





City of Shreveport's Allocation to SRAC - 2013



The objectives of this audit were to determine the following:

- Whether resources are employed efficiently and effectively.
- Compliance with laws, regulations, contract provisions, policies and procedures.
- Whether internal control over operations is effective.



## Recommendation Evaluation Risk Criteria

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented. This report contains two findings with two recommendations.

<b><i>Risk Levels</i></b>	<b><i>Recommendations</i></b>
<b>High Risk</b> Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; adverse publicity.	None
<b>Medium Risk</b> Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	None
<b>Low Risk</b> Possibility of continuing operating inefficiencies and some low-level non-compliance issues.	<ul style="list-style-type: none"><li>➤ SRAC amend the By-Laws to include existing conflict of interest policy and board member selection procedure <b>(Finding: Amend By-Laws)</b></li><li>➤ SRAC expand a presence in the contemporary social network platforms <b>(Finding: Expand Social Media Platforms)</b></li></ul>



### Scope and Methodology

The scope of this audit includes Shreveport Regional Arts Council (SRAC) operating activities and financial reporting and performance occurring during the period January 2011 - December 2015. To answer our objectives, we reviewed relevant internal controls and developed audit procedures that included but were not limited to the following:

- Interviewing SRAC management and staff members
- Reviewing compliance with established or stated policies and procedures
- Reviewing SRAC budget and financial reports
- Reviewing City Ordinances and contract agreement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.





IAR 240116-06  
September 23, 2016

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# **FINDINGS AND RECOMMENDATIONS**



**Objective: Determine if operations are effective**

**Amend By-Laws**

SRAC does have a conflict of interest policy and a board member selection procedure; however they are not noted in the by-laws. The purpose of the conflict of interest policy is to protect SRAC's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization. To increase the appearance of impartiality and objectivity, the by-laws should be amended to include those policies and procedures.

**Recommendation 1:** SRAC management should amend the by-laws to make reference to existing policies and procedures regarding conflict of interest and board member selection.

**Management Response:**

SRAC agrees with the recommendation that the SRAC By-Laws should be updated and amended to reflect the board approval of existing policies and procedures to include the CONFLICT OF INTEREST policy and board member selection. SRAC has evidenced that we have these policies, and will reference them in the By-Laws for clarity.

**Expand Social Media Platforms**

One of SRAC's goals is to develop, nurture, promote, engage and educate people, especially young people in the Northwest area of Louisiana about the Arts and Culture. SRAC has a long standing program of ArtBreak to reach out to students from grades K-12 in Shreveport and from Caddo Parish and the surrounding parishes. In order to reach out to the young audience, SRAC needs to be in touch with them via new media formats and contemporary social networking tools.

SRAC does have a presence in established social media platforms such as Facebook, Twitter, YouTube, Instagram, and Google Plus. However, it does not use social media platforms such as SnapChat, Pinterest, and WhatsApp.

**Recommendation 2:** SRAC should expand presence in contemporary social network avenues such as SnapChat, Pinterest, WhatsApp and use them to attract, engage, and educate area students and young people in Northwest Louisiana about Arts and Culture.



**Management Response:**

SRAC agrees with the recommendation to investigate the effectiveness and efficiency of expanding our presence in contemporary social network avenues such as Snapchat, Pinterest, and WhatsApp in order to more broadly engage and educate young people in Northwest Louisiana about arts and culture.

SRAC appreciates the Audit recognition that our organization has a strong presence in other established social media platforms and that the organization is highly committed to communication through other traditional medium such as direct mail, weekly feature news articles and advertising in both THE TIMES and FORUM NEWS, Weekly television coverage through the KSLA-12 HOME TOWN Show and morning features on KTBS-3 & KTAL-6, Active participation on the SB FunGuide (which SRAC created and the Shreveport – Bossier Convention & Tourist Bureau manages), the aggressive management of four program specific websites, the management of five dynamic Facebook pages with paid advertising, 3-5 weekly email blasts/alerts to specific targeted groups, Instagram, YouTube, Twitter, and Google Plus.

Another demonstration of SRAC's commitment to consistent and lively communication of information regarding all arts activity by all arts organizations is that SRAC employs a full-time Marketing Director and a part-time Publicist.





**IAR 240116-06**  
**September 23, 2016**

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Prepared by:

Brian Nguyen  
Staff Auditor

Approved by:

Leanis L. Steward, CPA, CIA  
City Internal Auditor

bn:nd

c: City Council  
Clerk of Council  
Mayor  
Chief Administrative Officer  
Carr, Riggs & Ingram  
Shreveport Regional Arts Council