



Report Summary
Perpich Center for Arts Education
Internal Controls and Compliance Audit

Financial Audit Division Report 17-03

Released January 19, 2017

The Perpich Center for Arts Education (center) is an executive branch agency of the State of Minnesota. Its mission is to provide all Minnesota students the opportunity to develop and integrate their artistic and academic abilities to their highest potential. The center operates a public residential arts high school for approximately 200 eleventh and twelfth grade students who enroll from communities across the state. In July 2013, the center took over management of Crosswinds Arts and Science School (Crosswinds), a public, year-round arts and science integration school for sixth grade through tenth grade students. Effective July 2014, legislation officially conveyed management of the school to the center.¹

In addition, the center provides resources to educators and teaching artists throughout Minnesota to support and improve instructional practices in and through the arts. The center also operates the Perpich Arts Library, an information and resource center for students, faculty, staff, and the general public.

Conclusions

The Perpich Center for Arts Education did not have adequate internal controls over its financial management and did not always comply with the legal requirements we tested.

The center resolved one of the six audit findings from the prior audit report;² the center ensured that the Perpich Foundation filed proper reports with the Attorney General's Office.³ We were unable to determine the center's resolution of another finding about the need for board approval for certain contracts; our testing did not identify any contracts requiring board approval.

However, the center failed to resolve the other four prior audit findings. In this report, we repeat three findings related to capital asset inventory and purchases; receipt processing; and payroll. Our overall conclusion for this audit shows that the center did not resolve the remaining prior audit finding; it did not adequately assess its financial risks or monitor the effectiveness of its internal controls.

Key Findings

- The Perpich Center for Arts Education put at risk nearly \$500,000 because it did not submit financial information for Crosswinds School to the Minnesota Department of Education as required by statute.

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¹ *Laws of Minnesota* 2014, chapter 294, art. 2, sec. 20, subd. 2.

² Office of the Legislative Auditor's Financial Audit Division Report 12-18, *Perpich Center for Arts Education*, issued August 30, 2012.

³ The Perpich Foundation is a 501 (c) 3 nonprofit organization established to support and improve Minnesota's K-12 education in and through the arts. The foundation accomplishes its mission primarily through financial and administrative support of the Perpich Center for Arts Education.

- The Perpich Center for Arts Education did not adequately review and document some payroll and human resource transactions, resulting in erroneous payments and unexplained deviations from policies and legal requirements.
- The Perpich Center for Arts Education did not comply with a state policy regarding the manual reduction of leave balances.
- Prior Finding Not Resolved: The Perpich Center for Arts Education did not have adequate internal controls over its capital asset inventory and purchases.
- Prior Finding Partially Resolved: The Perpich Center for Arts Education had weaknesses in its processes to collect, deposit, and accurately record student fee and performance receipts.
- The Perpich Center for Arts Education did not adequately control access to either the state's systems or an internal subsystem.
- The Perpich Center for Arts Education did not appropriately use some of its Arts and Cultural Heritage Fund appropriations.

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