

## Press Releases

### 06/09/2008 | City Auditor Laura Doud Releases First of Two Museum Audits

Audit Recommends Developing Plan for the Long Beach Museum of Art to Repay Bond Debt

Long Beach City Auditor Laura Doud released an audit today of the Long Beach Museum of Art Foundation's capital campaign fundraising effort to finance its renovation and expansion project. This is the first of two audits of the Museum. The second is an inventory audit that will be released in the near future.

The Museum undertook the expansion and renovation project in 1999 with the assistance of the Long Beach Bond Finance Authority, a subsidiary of the City of Long Beach, which issued a \$3,060,000 tax exempt revenue bond with the understanding that the Foundation's capital campaign would raise funds to repay the bond prior to the September 1, 2009 maturity date. The objective of the audit was to determine if the Foundation has the funds to repay the \$3,060,000 in bond principal due to the City by that date.

Two key findings resulted from the audit of the capital campaign: 1) the Foundation does not have sufficient funds or a formal plan to repay the \$3,060,000 bond debt; 2) certain issues pertaining to the Foundation's operations under previous management negatively impacted the Foundation's ability to repay the bonds.

The Foundation currently has only \$388,000 for Bond repayment. Unfortunately, under previous management, \$1,588,000 of contributions that were restricted for repayment of the bonds were spent on day-to-day operations. Further, the Foundation's fundraising did not meet its goal, coming in at least \$1,084,000 under budget.

Additionally the audit found altered cash receipts, use of Foundation credit card for personal expenses, improper employee payroll advances, circumvention of the dual signature policy and conflicts of interest.

The audit makes two key recommendations: 1) that the City and the Foundation develop a comprehensive strategy for repayment of the \$3,060,000 bond debt (which will mature September 1, 2009); and 2) that the Foundation perform a thorough investigation of the issues identified and quantify and recover moneys lost to the extent possible.

"I am very hopeful that the City and the Foundation can devise a plan to repay the bond debt that doesn't require the use of City funds," commented City Auditor Laura Doud. "Additionally, it is extremely important to note that the Foundation brought in new management in November 2006 and that controls are being put in place to ensure that the problems identified in this report do not happen again."