



Long Beach Museum of Art Inventory Audit

Presented by Laura L. Doud, City Auditor
Tuesday, August 12, 2008

OBJECTIVE OF LONG BEACH MUSEUM OF ART INVENTORY AUDIT



Perform a complete inventory and assess controls over inventory to ensure all City-owned pieces of art are fully accounted for and properly safeguarded

BACKGROUND

- The Long Beach Museum of Art was originally established in 1950; it is owned by the City of Long Beach.
- In 1985, the City contracted with the Long Beach Museum of Art Foundation for operation and maintenance of the Museum. In exchange for this, the City provides a base level of support to the Foundation on an annual basis.
- Both City-owned and Foundation-owned art are shown at the museum.



SCOPE OF ENGAGEMENT

- First complete inventory of City-owned art since 1988
- Performed a complete observation and count of 2,805 pieces of art at six locations
- Reconciled City-owned art to multiple systems and reports to compile a comprehensive list of all art
 - Systems and reports reconciled include Foundation's Embark System and Card Catalog System, Off-site storage records, City's Fixed Asset Records, and various agreements between City and Foundation.
- Identified ownership of 2,576 pieces through review of accession numbers and research
- Reviewed multiple agreements to determine whether Foundation is operating in compliance with those agreements

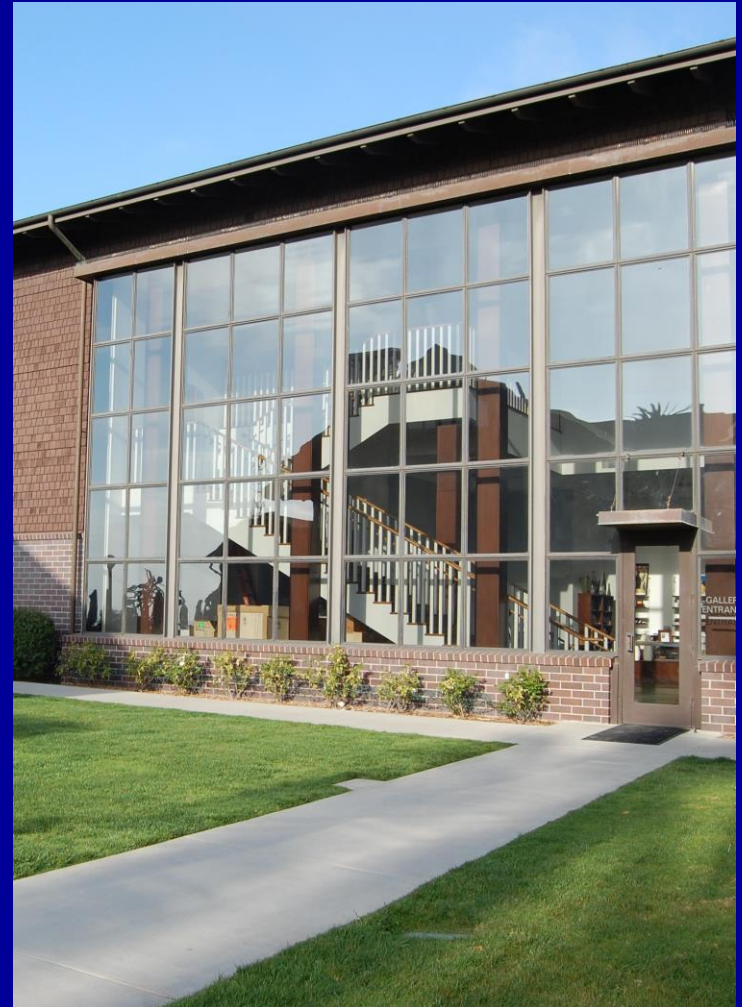
OVERVIEW OF AUDIT RESULTS



- The audit report identified 7 key issues
 - Regular Inventories Not Performed
 - Some Artist/Object Records Need Updated Information
 - Unknown Ownership of 229 Pieces of Artwork
 - Regular Appraisals Not Conducted

OVERVIEW OF AUDIT RESULTS (CONTINUED)

- City Art Stored Off-site in Conflict with Agreement
- Agreement lacks key provisions regarding Donated Art, Regular Inventories and Treatment of Missing, Stolen, Broken or Retired Items
- Internal Controls Over Storage of Inventory Need to be Strengthened



RESULTS AND RECOMMENDATIONS

Issue #1: Regular inventories of City-owned artwork not performed

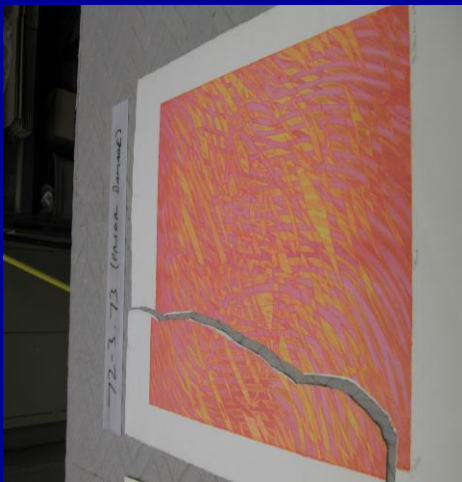
- Foundation is contractually required to maintain registration and location records of City-owned art
- 144 of 1,134 City-owned art were not observed in 2007
- Foundation's records do not reconcile to art observed, off-site storage records, City's Fixed Asset Records, and/or various agreements between City and Foundation
- No formal records are maintained for missing, stolen, broken, or retired City-owned art



Andreas Jawlensky, Untitled (missing)

RECOMMENDATIONS:

- Locate the 144 unobserved City-owned art. If unable to locate artwork, Foundation should provide documentation of known history and disposition of missing items.
- Develop a plan to ensure regular inventories of the valuable pieces of City-owned art are conducted.
- Update and maintain records to reflect 1,134 City-owned art identified in audit.



Stanley William Hayter, Flux (damaged)

RESULTS AND RECOMMENDATIONS

Issue #2: Some Artist/Object Records Need Updated Information

Artist/Object files contain documentary evidence of artwork acquisitions, object history and dispositions.

- A sample of files reviewed lacked sufficient documentation:
 - Unable to confirm ownership of artwork
 - Unable to verify dispositions of unobserved pieces

RECOMMENDATIONS:

- Establish a checklist for documentation required for each record
- Strengthen policies and procedures to ensure that proper documentation including ownership and disposition information is maintained in the records



Africa – Mano Tribe, Purses

RESULTS AND RECOMMENDATIONS

Issue #3: Unable to determine ownership of 229 pieces of art

- Foundation is contractually required to maintain registration and location records of City-owned art

RECOMMENDATIONS:

- Research and determine ownership of 229 pieces of art



Stussy Frankel (Ownership unknown)

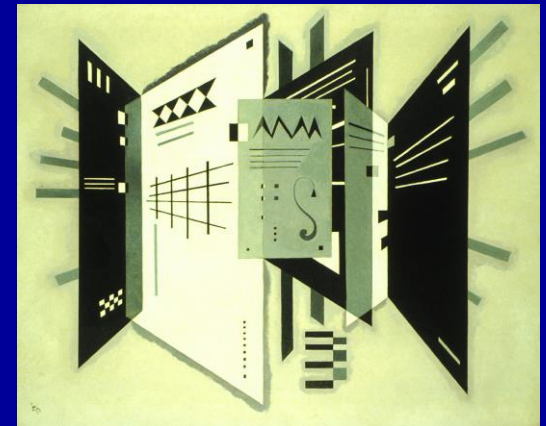
RESULTS AND RECOMMENDATIONS

Issue #4: Regular appraisals not conducted of City-owned art

- Agreement requires current appraisals of City's collection
- 146 City-owned art pieces appraised at \$10.8 million in 1999
- 11 of 146 City art pieces appraised again in 2007 at \$3.83 million
 - Revised appraisal value of 146 pieces of art in 2007 is \$12.8 million
- Due to lack of appraisals, insurance coverage for City-owned art may be insufficient

RECOMMENDATIONS:

- Revise Agreement to clarify provision regarding appraisals
- Determine appropriate time intervals for appraisals of the City's most significant works
- Update insurance coverage based on current appraised values



Vasily Kandinsky , Points

RESULTS AND RECOMMENDATIONS

Issue #5: City-owned art is stored off-site in conflict with Agreement

- Agreement requires City-owned art to be stored on-site and for Foundation to maintain location records.
- Over 40% of City-owned pieces of art are stored off-site due to inadequate on-site storage facilities.

RECOMMENDATION:

- Develop a plan for treatment of City-owned art located in off-site storage

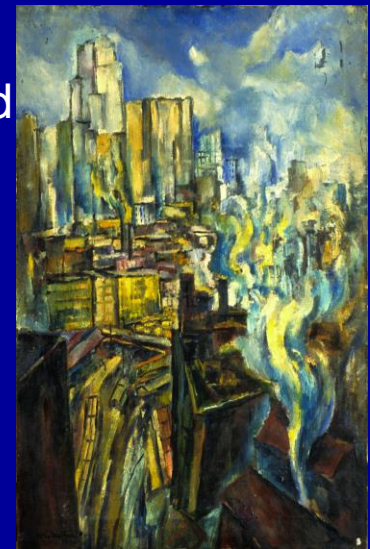
RESULTS AND RECOMMENDATIONS

Issue #6: Agreement Lacks Key Provisions Regarding Donated Art, Regular Inventories and Treatment of Missing, Stolen, Damaged or Retired City Art

- Agreement lacks key provisions regarding:
 - Ownership of donated art and disposition of donated art at the Agreement termination
 - Regular inventories necessary to safeguard City assets
 - Proper reporting and treatment of missing, stolen, broken or retired City pieces of art

RECOMMENDATION:

- Revise Agreement to:
 - Clarify ownership and disposition of donated art
 - Determine frequency of and responsibility for regular inventories
 - Ensure proper reporting and treatment of missing, stolen, broken or retired art



Borris Deutsch , Untitled cityscape

RESULTS AND RECOMMENDATIONS

Issue #7: Strengthen Internal Controls over Storage of Inventory

Records related to the keys and alarm codes for access to both the Museum and on-site storage areas should be improved.

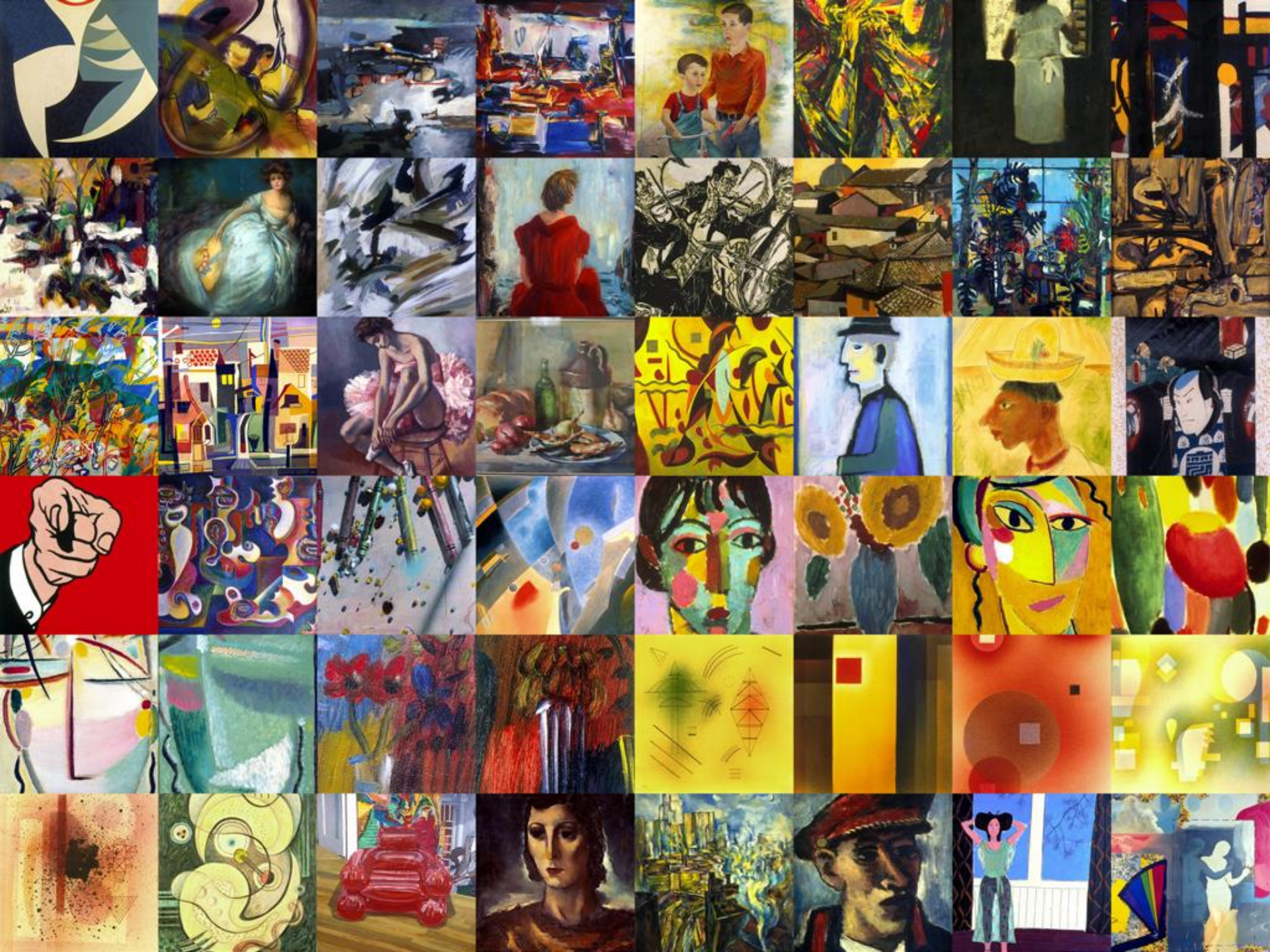
- Codes and locks are not changed upon employee termination and spare keys are not properly accounted for and secured
- The access codes to the vault entrance door have not been modified for several years
- Alarm system reports, which record the dates and times access codes were used, have not been periodically reviewed for unusual activity

RECOMMENDATIONS:

- Develop and implement a policy and procedure for control of alarm codes, keys and access to the Museum and on-site storage areas
- Implement a policy to include regular review of alarm system reports

CITY AUDITOR RECOMMENDATION FOR ALL ISSUES

Request City Council to direct City Management and the Foundation to review recommendations, develop comprehensive strategies consistent with these recommendations and advise the City Council and City Auditor of progress and plans for implementation in six months and one year from the date of receipt and filing of the Long Beach Museum of Art Inventory Audit Report.





Office of the City Auditor

Laura L. Doud, CPA

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Presented to the Mayor and City Council

Tuesday, August 12, 2008