EDITORIAL

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Icons as audit targets

Long Beach Museum of Art and Queen Mary both get some unflattering scrutiny.

Public scrutiny has uncovered some awkward financial facts about the Long Beach Museum of Art and the Queen Mary, two icons of high and low culture. (We'll leave it to you to decide which is which.)

The museum is the set piece in Long Beach City Auditor Laura Doud's latest project, which has laid out in compelling detail just how much can go wrong when well intentioned art lovers put a higher priority on creating things than paying for them.

The audit shows how staff and a volunteer board of directors spent the museum's endowment on day-to-day expenses and now can't fulfill their promise, which is to repay $3 million in bonds. Long Beach City Hall is left holding the bag.

The auditor will follow up with a report next month on the museum's collection of art and artifacts. That audit, according to the museum's promising new director, Ron Nelson, will show that some of the art objects have gone missing.

This, actually, is mostly old news, since most of the missing stuff is of little value, and hasn't been seen in 30 years. But a couple of the pieces, small paintings by the impressionist Alexej Jawlensky, could bring real money if sold at auction.

Of course they can't be, since museums that try to sell off donated art works to make up for financial mismanagement get sued by their patrons, and rightly so. They learn they can't make good on one forsaken pledge by forsaking another.

What's City Hall to do? Taxpayers own the museum property, which is a stately old manse facing the ocean, flanked by a more modern facility financed in part by the $3 million bond issue. There are at least three alternatives, two of them bad: shut down the museum and suck up the loss; bail out the museum trustees with taxpayer money; or delve into other possible solutions in a much more public way than has been the way of the museum in the past.

You can guess which one we favor.

Now for the Queen Mary. City Hall has made public its outsourced audit of the bankrupt firm that operated the ship, and the findings aren't pretty for two reasons.

First, the transfer of nearly $8 million over seven years from leaseholder Queen's Seaport Development Inc. and nonprofit operator RMS Foundation to a third entity, Leisure Horizons, and then to Joseph Prevratil, who was CEO of all three, would confuse anyone but an auditor. But some things are plain.

The trustee agrees that some of the transfers at least present a chance of recovering something for taxpayers, and he has negotiated a settlement with Prevratil for the proceeds of a sale of a condo in Hawaii. He says there isn't much chance of winning other legal pursuits, and anyway there most likely isn't much else to go after. The condo would net $380,000.

Having spent $300,000 or so on its audit, City Hall, in this lawyer-driven exercise, evidently disagrees and wants to spend more on a lawsuit. A federal judge will decide June 24.

We'd put our money on the bankruptcy trustee. And we look forward to the next museum audit.