



Public Art

Internal Audit

March 2019

Bernalillo County Internal Audit Public Art

Executive Summary

SUMMARY OF PROCEDURES

REDW performed internal audit procedures over the tracking and storing of public art. Our internal audit focused on evaluating the controls surrounding public art storage, additions, transfers, disposals, and inventory counts.

We performed the following procedures:

- Obtained an understanding of the process to acquire public art through solicited and unsolicited proposals, including asset verification and adding the work to the fixed assets listing.
- Obtained an understanding of the process for public art storage, transfers, disposals, and conservation and maintenance.
- Selected a sample of public art acquired and tested to determine if the work was properly approved, inspected, and added as a fixed asset.
- Selected a sample of decommissioned public art and tested to determine if the disposal process was followed including proper notifications and approvals.
- Determined if works of art in storage were secured and tracked.
- Compared the Fixed Assets Section's Public Art Inventory Listing and the Public Art Program's Inventory Listing for accuracy and completeness.
- Selected a sample of public art to determine the asset physically existed and was in its documented location.
- Determined if an annual physical inventory of public art was completed for fiscal year 2018.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

During the course of the audit, we identified areas in which processes and related controls appeared to be functioning properly. Most notably, we observed proper approvals for both additions and disposals of works and proper removals of disposed assets from the fixed assets listings.

As a result of our testing, the following moderate and low risk observations were identified:

- 1) ***Communication Between Fixed Assets Section and Public Art Program*** - There were 61 instances in which a work of art's location did not agree between the Fixed Assets listing and Public Art Program's asset listing. A process should be implemented to communicate transfers/relocations at the time the transfer occurs to the Fixed Assets Section so the asset location can be accurate with Fixed Assets throughout the year. Additionally, Fixed Assets should be notified in advance of the installation date of new asset acquisitions.
- 2) ***Bernalillo County Ordinance Notification Requirement*** - Section 9(E) of Bernalillo County Ordinance No. 97-5 dictates the Arts Board, "shall advise the Bernalillo County Commission on the proposed removal, relocation, or alteration of any public arts facility or works of art in the possession of Bernalillo County." While we were able to verify that the Commission was notified of additions and removals, they do not appear to be notified when a work of art is relocated. The Public Art Program should create a process to notify the Board of County Commissioners of public art relocations to remain in compliance with Bernalillo County Ordinance No. 97-5. Consider notifying the Commission of the relocations on a periodic basis, such as bi-annually or annually.

* * * * *

Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Public Art Program and Fixed Assets Section during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
April 11, 2019

Bernalillo County Internal Audit Public Art

Table of Contents

	<u>Page</u>
INTRODUCTION	1
PURPOSE AND OBJECTIVES	1
SCOPE AND PROCEDURES PERFORMED	2
OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES	3

Bernalillo County Internal Audit Public Art Report

INTRODUCTION

We performed the internal audit services described below solely to assist the Public Art Program at Bernalillo County in evaluating the processes related to acquiring, tracking, relocating, disposing of, and storing public art. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

An entrance conference was held on March 7, 2019, and fieldwork began March 11, 2019. An exit conference was held on March 21, 2019.

PURPOSE AND OBJECTIVES

Our internal audit evaluated the controls surrounding public art storage, additions, transfers, repairs/maintenance, and disposals. We assessed whether public art additions were properly approved, inspected, and added as a fixed assets, whether transferred assets were properly approved and tracked, and whether the disposal process was followed for decommissioned works. Additionally, we obtained the Fixed Assets Section's Public Art Inventory Listing and the Public Art Program's Inventory Listing and tested to determine if the listings included the same assets and locations. Lastly, we selected a sample of public art to determine if the asset physically existed and was in its documented location and determined if an annual physical inventory of public art was completed.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and laws/regulations, we interviewed the following personnel:

- Nan Masland, Public Art Project Coordinator
- Martin Gallegos, Fixed Assets Manager

In order to gain an understanding of the processes we read relevant portions of:

- Bernalillo County Ordinance No. 97-5 Art in Bernalillo County Public Places dated April 1, 1997
- Bernalillo County Public Art Program Unsolicited Proposals Submission and Review Guidelines
- Bernalillo County Public Art Decommission Policy
- Bernalillo County Administrative Instruction No. AD 04 Fixed Assets dated December 21, 2017

We performed the following test work:

Additions: We obtained a listing of all public art acquired from January 1, 2018 through December 31, 2018. We also obtained the Appropriations & Expenditures report for the same period listing all art purchased and compared the two to ensure agreeance.

From this listing of 36 works of art purchased, we selected 7 items (20% of the total population) to test for the following attributes:

- The Arts Board approved the art proposal;
- The Board of County Commissioners approved the art proposal;
- The Public Art Project Coordinator issued a Notice of Final Acceptance to the artist, if the work was an outdoor sculpture;
- The Fixed Assets Section was notified of the final purchase payment related to the work;
- The Fixed Assets Section assigned an asset number to the work of art;
- Fixed Assets verification was completed within 30 days;
- Verified via observation that the art work was securely installed at its intended location; and,
- Verified via observation that the art work had a plaque installed in its proximity identifying the title of the work and artist.

Disposals: We obtained a listing of all decommissioned public art as of February 7, 2019. From this listing, we selected all five decommissioned works of art and tested the following attributes:

- The Public Art Program Coordinator provided a report to the Arts Board for consideration prior the request for decommissioning;
- The Arts Board recommended decommissioning of work by a majority vote;
- Disposal of the work was approved by the Board of Bernalillo County Commissioners;

- After approval for decommissioning, the work of art was removed from the Fixed Assets listing in a timely manner;
- For decommissioned works of art over \$5,000, the disposition was approved by the Local Government Division of the Department of Finance and Administration and was conducted in accordance with 13-6-2(D) NMSA 1978; and,
- If the disposal was due to theft, risk management was notified.

Storage: We obtained a listing of all stored public art as of February 7, 2019. From this listing, we selected all five stored works and tested to determine:

- The reason the asset was in storage was documented;
- The work was physically present at the storage facility; and,
- The work was securely stored.

Inventory: We obtained the Public Art Project Coordinator’s Public Art Listing and the Fixed Assets Section’s Public Art Listing as of February 7, 2019, and tested to determine:

- The listings included the same assets;
- The assets locations agreed.

From the listing above, we selected a sample of 40 assets from a total population of 407 and:

- Physically inspected the asset to determine the listed location was accurate and the asset was securely installed;
- Verified via observation that the artwork had a plaque installed in its proximity.

Lastly, we obtained the Fixed Assets Section’s most recent inventory count (June 2018) and verified that all public art was located and any identified variances were resolved.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

During the course of the audit, we identified areas in which processes and related controls appeared to be functioning properly. Most notably, we observed proper approvals for both additions and disposals of works and proper removals of disposed assets from the fixed assets listings.

As a result of our testing, REDW identified the following observations:

1) Communication Between Fixed Assets Section and Public Art Program

The Fixed Assets Section and the Public Art Program annually reconcile their asset listings to update the current locations of works of art prior to conducting the physical inventory of public art. All relocations of works of art are updated in real time during the year on the Public Art Program’s asset listing; however, they are not updated with Fixed Assets until the annual reconciliation occurs. We identified 60 of 407 instances in which a work of art’s location did not agree between the Fixed Assets listing and the Public Art Program’s asset listing.

In addition, there were two instances in which works of art were not verified by the Fixed Assets Section in a timely manner.

Potential Risk: Moderate – If adequate segregation of duties are not in place, including timely notification of changes in asset inventory, there is a risk that works of art could be misappropriated and go unnoticed for an extended period of time.

Recommendation: A process should be implemented to communicate transfers/relocations at the time the transfer occurs to the Fixed Assets Section so the asset location can be accurate with Fixed Assets throughout the year. Additionally, Fixed Assets should be notified in advance of the installation date of new asset acquisitions.

Management's Response: The Public Art Project Coordinator will notify Fixed Assets of new artwork as well as permanent relocation of artwork in the 1% for the arts collection. The Public Art Project Coordinator and Fixed Assets Manager will reconcile Fixed Asset's listing to agree with Public Art's asset listing. Public Art will meet with Fixed Assets to create a naming convention for artwork locations. All acquisitions and relocations of artwork will be added to both Public Art asset listing and Fixed Asset's listing within two weeks of receipt of existing artwork or relocation and in advance of a sculpture's installation. This will be completed by December 31, 2019.

2) Bernalillo County Ordinance Notification Requirement

Section 9(E) of Bernalillo County Ordinance No. 97-5 requires the Arts Board to advise the Bernalillo County Commission on the proposed removal, relocation, or alteration of any public works of art in the possession of Bernalillo County. While we were able to verify that the Commission was notified of additions and removals, they do not appear to be notified when a work of art is relocated.

Potential Risk: Low – While the Commissioners will not be aware of changes in public art locations, they are notified of additions and removals.

Recommendation: The Public Art Program should create a process to notify the Board of County Commissioners of public art relocations to remain in compliance with Bernalillo County Ordinance No. 97-5. Consider notifying the Commission of the relocations on a periodic basis, such as bi-annually or annually.

Management's Response: The Public Art Project Coordinator will notify the Board of County Commissioners of the permanent relocation of artwork in the 1% for the arts collection. Public Art Project Coordinator will circulate a memo with the list of artworks that have been relocated, annually. Data on relocation of artwork will be collected starting day one of FY 2020 and will be sent to the Board of County Commissioners at the end of each fiscal year.

* * * * *

This report is intended for the information and use of the Bernalillo County Public Art Program, the Fixed Assets Section, the audit committee, members of Bernalillo County Commission and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Public Art Program and Fixed Assets Section during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
April 11, 2019