



Audit of the
Cultural Division

Office of the County Auditor

Audit Report

Robert Melton, CPA, CIA, CFE, CIG
County Auditor

Conducted by:

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Report No. 19-09
May 22, 2019



OFFICE OF THE COUNTY AUDITOR

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May 22, 2019

Honorable Mayor and Board of County Commissioners

We have conducted an audit of the Cultural Division. Our objectives were to determine whether grants and contracts are administered in accordance with laws, regulations and contract provisions; to determine whether funds are accounted for and handled properly; and to determine whether funds are used effectively to deliver appropriate, needed art in public spaces.

We conclude that the grants are administered appropriately, funds are accounted for and handled properly; however, improvement is needed regarding the oversight of the Public Arts and Design Program. Opportunities for Improvement are included in the report.

We appreciate the cooperation and assistance provided by the Cultural Division throughout our audit process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Bertha Henry, County Administrator
Monica Cepero, Deputy County Administrator
Andrew Meyers, County Attorney
Philip Dunlap, Director, Cultural Division

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INTRODUCTION

Scope and Methodology

The Office of the County Auditor conducts audits of Broward County's entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County's residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted an audit of the Cultural Division. Our objectives were to determine whether:

1. Grants and contracts are administered in accordance with laws, regulations and contract provisions
2. Funds are accounted for and handled properly
3. Funds are used effectively to deliver appropriate, needed art in public spaces
4. Any opportunities for improvement exist.

To determine whether grants and contracts are administered in accordance with laws, regulations and contract provisions, we reviewed each grant guideline, grant recipient's selection processes, contracts with recipients, and invoices submitted for reimbursement.

To determine whether funds are accounted for and handled properly, we reviewed recorded grant reimbursements and contract deliverables, performed site visits, and verified reimbursements in the County's financial system.

To determine whether funds are used effectively to deliver appropriate, needed art in public spaces, we reviewed the Division's compliance with the County Ordinance for Public Art, the artwork selection process. We performed site visits to verify the existence of artwork and reviewed the Art Trust Fund.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included such tests of records and other auditing procedures as we considered necessary in the circumstances. The audit period was fiscal years 2017 and 2018. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that grants are administered appropriately, funds are accounted for and handled properly; however, improvement is needed regarding oversight of the Public Arts and Design Program. Opportunities for Improvement are included in the report.

Background

The Broward County Cultural Division provides financial, technical and marketing assistance to artists and arts organizations. Broward County has more than 1.8 million residents, 15 million visitors, 10,000 artists, 6,300 arts-related businesses employing more than 23,000 people, 823 not-for-profit cultural organizations, and 31 cities, some of which operate their own arts councils and public art programs.

The Cultural Division's portfolio of services includes grant programs to arts organizations for expenses related to operating and program/event needs, marketing services, education and advocacy, public art and design, technical assistance and capacity building programs, artist fellowships and community cultural planning.



Entrance to Cultural Division's Offices

In addition, the Cultural Division supports the Broward Cultural Council, established in 1977 by the Broward County Commission, as the central coordinating agency for the arts, serving as liaison between cultural organizations, government agencies and the private sector. The 24-member Council recommends programs and the distribution of County government funds for the visual arts, performing arts, literary arts, museums and festivals.

The Cultural Division's allocated budget for fiscal year 2019 was \$7.8 million, consisting of \$5.8 million funded from the General Fund and \$2.0 million from sources outside of the General Fund. As shown in Table 1 below, \$4.6 million was allocated to both General Fund and Tourist Development Tax Grants and \$0.3 million was allocated to the Cultural Marketing Program. Both

of these are further discussed in the sections below. The budget includes a \$1.0 million reserve and \$1.8 million in administrative costs, primarily for expenses related to personnel. The Division has a total of 16 positions, 11 funded by General Fund, and five by the Special Purpose Fund.

Table 1 – Cultural Division 2019 Budget

	General	Special Purpose	Total
Administrative	\$ 1,510,270.00	\$ 329,750.00	\$ 1,840,020.00
Cultural Marketing Program	\$ 286,530.00	-	\$ 286,530.00
Grants	\$ 4,018,800.00	\$ 600,000.00	\$ 4,618,800.00
Reserves	-	\$ 1,035,980.00	\$ 1,035,980.00
Total	\$ 5,815,600.00	\$ 1,965,730.00	\$ 7,781,330.00

Prepared by Office of County Auditor using data from Office of Management and Budget

Grants

The Cultural Division offers nine Grant Programs, for operating and capital expenses, which total approximately \$3.2 million annually. The grant programs are designed to promote the development of Broward-based not-for-profit cultural organizations, artists, and municipalities. Grant Programs are awarded on a competitive basis with the Board of County Commissioners authorizing funding levels on an annual basis. Grant Programs are administered on a



Creative Investment Program – Dance Company: Paco Huerta Ballet Folklorico Azteca, 2016

reimbursement basis, contingent upon the successful completion of the project or program for which funds were approved. The Cultural Division funds a variety of organizations, municipalities, artists and community-based educators living/working within Broward County, Florida.

Each grant program is reimbursable up to the amount awarded to each recipient. Grant recipients are funded annually through an intensive and comprehensive selection process based on specific criteria and deliverables per grant guidelines and specifications. Depending on the review and selection process, each recipient receives an award based on their score and availability of funding. Reimbursements are provided based on extensive invoice requirements which are reviewed for appropriateness as applicable to specific contract deliverables as agreed upon by the Cultural Division and individual/ organization receiving reimbursement. A breakdown of each grant is provided in Table 2, followed by a description of each program.

Table 2 – Cultural Division Grant Funding for Fiscal Years 2017 and 2018

	GRANT	2017 ALLOCATION	2018 ALLOCATION	2017 Total Recipients	2018 Total Recipients
1	Program Eval. and Tech. Asst. (Tech Asst)	\$ 40,000	\$ 40,000	1	1
2	Cultural Investment Program (CINV)	\$ 960,800	\$ 960,800	33	33
3	Community Arts Edu. Partnership (CAEP)	\$ 72,000	\$ 72,000	10	10
4	Cultural Institution Program (CINP)	\$ 955,000	\$ 955,000	8	6
5	Creative Investment Program (CIP)	\$ 115,000	\$ 115,000	47	44
6	Cultural Diversity Program (CDP)	\$ 125,000	\$ 125,000	7	8
7	Regional Investment Program (RINV)	\$ 110,000	\$ 110,000	5	6
8	ArtServe Project (ArtServe)	\$ 91,000	\$ 91,000	1	1
9	Cultural Tourism Program (CTP)	\$ 650,000	\$ 600,000	20	18
	TOTAL	\$ 3,118,800	\$ 3,068,800	132	127

Prepared by Office of County Auditor using data from Office of Management and Budget

- 1) **Program Evaluation and Technical Assistance (Tech Asst)** - This is an unrestricted grant provided to ArtServe to fund artists to conduct presentations and workshops at ArtServe's discretion. ArtServe also provides consultancy services for local artists. The award is \$40,000.
- 2) **Cultural Investment Program (CINV)** - This grant is provided to assist cultural organizations in meeting reimbursable program expenses, for entities that have been operational in their cultural disciplines for a minimum of two years. Awards range from \$10,000 to \$80,000.
- 3) **Community Arts Education Partnership (CAEP)** - This grant is provided to an individual artist or community-based educator living within Broward, Miami-Dade, Monroe, Palm Beach, or Martin County who has conducted an arts educational, community arts, and/or community design project, and who is collaborating with one or more eligible entities to expand access to arts education occurring in community-based settings. Awards range from \$2,000 to \$7,000.
- 4) **Cultural Institution Program (CINP)** - This grant provides assistance in meeting reimbursable program expenses to Broward County not-for-profit cultural organizations with annual operating budgets of at least \$1 million. Awards range from \$110,000 to \$310,000.
- 5) **Creative Investment Program (CIP)** - This grant's purpose is to assist not-for-profit cultural organizations with annual operating revenues of \$100,000 or less with funding for small but complete cultural projects for which applicants have not received funding through any other Cultural Division incentive program. Awards are granted up to \$5,000.

- 6) **Cultural Diversity Program (CDP)** - Provided to assist cultural organizations to develop and sustain the cultures, arts, and artists that are rooted in, and reflective of, the cultural heritage and traditions of the community, in meeting reimbursable program expenses. Awards range from \$5,100 to \$25,000.
- 7) **Regional Investment Program (RINV)** - This grant assists South Florida-based not-for-profit cultural organizations in their cultural disciplines for a minimum of three years, in meeting reimbursable program expenses associated with the presentation and/or production of a regular season of exhibitions, programs, events or performances open to the general public in Broward County. Awards range from \$10,000 to \$80,000.
- 8) **ArtServe Project (ArtServe)** - This grant is provided to ArtServe, Inc to assist cultural organizations, that have been operational in their cultural disciplines for a minimum of two years, in meeting reimbursable program expenses. Award is \$91,000.
- 9) **Cultural Tourism Program (CTP)** - This grant is the only grant funded by Tourist Development Tax dollars. It is intended to support the arts as a means of promoting tourism in Broward County. The CTP funds exhibitions, performances, projects or other cultural activities and festivals which attract tourists, and are awarded to non-profit organizations, accredited museums, and municipalities. Awards range from \$10,000 to \$65,000.

Public Art & Design Program

The goal of the Broward County Public Art and Design (PAD) Ordinance (Ordinance) is to create an enhanced visual environment for the residents of Broward County, to integrate the design work of artists into the development of County capital improvement projects, and to promote tourism and economic vitality through the artistic design of public places.



"Wavelength", by Emily White, located at Fort Lauderdale-Hollywood International Airport, Terminal 1, Concourse A, 2017, cost \$400,000

The Ordinance instituted a requirement for art funding contributions, based on a percentage of certain cost components of eligible capital improvement projects. The Ordinance was amended January 25, 2011, requiring functionally integrated public artwork and providing the option for the Board of County Commissioners to appropriate a public art amount different from the percentage prescribed in the ordinance on a project by project basis. The ordinance was further

amended in November 2011, to require the Board of County Commissioners' approval of artist design proposals when the total art budget is \$100,000, or more, or if the project recommended is a freestanding artwork.



"Whirls and Swirls and a Vortex on Water", by Alice Aycock, located at Central Broward Regional Park & Stadium, 2008 cost \$385,000

According to the Ordinance, the funded amounts for public art are based upon a percentage of the total capital project appropriation, including engineering and design, less demolition costs, equipment costs, real property acquisition costs and soil remediation costs. Specifically, County capital projects to construct or renovate any park, road beautification, bridge or causeway, sidewalk, bikeway, above grade utility, land acquisition for greenways, and to construct or renovate any building except detention facilities receive 2% of the project costs for PAD. One percent of the

eligible costs are awarded for PAD for highway and arterial road projects, except projects in the unincorporated areas. Projects for repairs, maintenance and installation of mechanical equipment or modifications required solely for the Americans with Disabilities Act (ADA) are not eligible for PAD funding. Per the Ordinance, a portion of each public art allocation is also allocated to fund program support and conservation costs to maintain the art into the future.

The public art allocations fund integrated works of art that create a sense of place that improve the visual environment for the residents of Broward County and that advance the missions of the County departments where the projects reside. Commissioned artworks are the result of interactions between selected artists and interested constituent groups during the design stages of the projects.



"Coral Glow Persian Sconce Wall", by Dale Chihuly, located at Port Everglades Terminal 4, 2015, cost \$260,000

All eligible art funds appropriated by the Board when approving eligible Capital Projects are to be transferred to the Public Art and Design Trust Fund, except for projects funded by enterprise, bond, and grant dollars. These projects expend art funds directly from their capital project accounts.

All art acquired through the PAD program was appraised on September 28, 2017, by David C. Eldridge, ASA, MRICS Appraiser of Eldridge Appraisal Services L.L.C. The appraised values are listed at “replacement value-comparable.” Based on the appraisal report, the total appraised value of the artwork is \$27,418,207. As shown on Table 3, the two locations with the most extensive PAD art inventory are the Airport (\$12,397,290) and Port Everglades (\$2,340,500), which together account for 54% of the value of all PAD art, collectively. The remaining 46% of the collection is installed at numerous locations throughout the county.

Table 3 – Public Art and Design Appraisal Summary

PUBLIC ART & DESIGN APPRAISAL SUMMARY	
Total Art Purchased	\$21,889,723
Total Appraised Value	\$27,418,207
Number of Public Artworks	216
Number of Artists	157
Total Appraised Value - Airport	\$12,397,290
Total Appraised Value - Port Everglades	\$2,340,500
Total Appraised Value - All other Locations	\$12,680,417

Prepared by Office of County Auditor using data from Appraisal Report

Marketing

The Cultural Division’s Marketing Section develops and implements marketing and communication plans to promote the Cultural Division’s grants, arts education, Public Art & Design projects, workshops, and advocacy opportunities to targeted audiences, cultural organizations and artists. Major programs of the Marketing Section include the Broward Arts Journalism Alliance (BAJA), which provides professional development, writing assignments and publication placement for local arts journalists, and the Cooperative Marketing program.

The Cooperative Marketing Program was launched in 1991 and was created to support local non-profit cultural organizations and artists by providing aggressive media planning and placement; subsidized funding for advertising; and workshops for artists and organizations designed to improve communications and business skills. The Cultural Division entered into a three-year Cooperative Marketing Agreement with ArtServe on September 14, 2017, for \$324,050 per year. Under this program, the artist or organization will pay half the cost of advertisement or marketing materials and ArtServe will pay the balance. Artists and organizations must apply and attend orientation meetings to qualify for funding for their event. If selected, the artist will pay for half the advertising costs, and ArtServe then submits an invoice to the County for reimbursement for the other half of that artist’s cost to advertise. These invoices are reviewed, then approved by the Cultural Division for reimbursement, as appropriate.

The Cultural Division's website (Broward.org/Arts) as well as ArtsCalendar.com are also managed by the Marketing Section as resources for posting of events, calls to artists, grant deadlines, marketing-produced publications such as the Cultural Quarterly magazine, public art tours and more.

Special Purpose Fund

The Cultural Division's Special Purpose Fund is used for Cultural Division activities supported by funding sources outside the general fund; Public Art & Design program, supported by Capital Funds; and the Cultural Tourism Program, funded by Tourist Development Tax. Public Art & Design program support may be used for project support and community participation activities, and include costs related to artist selection, art and construction consultants, design/proposal costs, installation of identifying plaques, project documentation, and publicity. All activities funded by the Cultural Tourism Program must contain a significant tourist related component, which will contribute to the cultural development of Broward County and enhance its reputation as a tourist destination.

OPPORTUNITIES FOR IMPROVEMENT

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. The Public Art and Design Funding Requirements Were Not Met and Should Be Reevaluated.

The Public Art and Design Ordinance art funding requirement was not met, resulting in an under allocation of \$6,306,695 in public art for capital projects completed in fiscal years 2017 and 2018. As a result, the County allocated less than 50 percent of the required funding.

The Public Art and Design Ordinance (Section 1-88(a)(1)) (Ordinance) requires a percentage of eligible construction costs to be used for art as follows:

Appropriations for county capital improvement projects, including eligible bond projects, eligible grant-funded projects, other eligible capital projects funded from other sources, and unincorporated road projects, shall include an amount equal to two (2) percent of the total eligible construction costs to be used for artist design services and for the selection, acquisition and display of artworks, for related education programs, for the maintenance of county artworks, and for the administration of the public art and design program. Appropriations for highway and arterial road project, less projects in the unincorporated areas, shall include an amount equal to one (1) percent of the total eligible construction costs. Bond funds shall be appropriated and accounted for in the bond capital project accounts.

Under the Ordinance, the required percentages do not need to be expended on the specific projects that generated the monies:

Unless restricted...monies generated under this ordinance may be pooled...and expended for any public art and design project in the county, subject to the approved annual public art and design plan. There shall be no general requirement that monies be expended on the specific projects that generated the monies unless as stated herein.

The Ordinance also allows that *“The Board may, in its sole discretion, reduce, eliminate, or waive any or all of the public art appropriations or any other funding requirements under this section on a project-by-project basis.”*

We noted the following concerns:

- A. Of the 18 identified capital projects completed during fiscal years 2017 and 2018, 9 (50%) did not include any allocation for public art, four received less than the amount required by the Ordinance, and five received an amount equal to or greater than the amount required by the Ordinance. In total, \$6,366,763 was allocated for public art across nine projects; however, the Ordinance required \$12,673,458 in total art funding for all 18 projects. The difference of \$6,306,695 was not allocated for public art as required by the Ordinance. Table 4 shows the project budget, required funding, and actual funding for each of the 18 capital improvement projects completed in fiscal years 2017 and 2018.

Table 4 – Capital Improvement Projects Completed in Fiscal Years 2017 and 2018

Capital Improvement Project	Project Budget*	Public Art Allocation		
		Required by Ordinance	Actual Allocation	Actual %
County Courthouse Complex	\$325,000,000	\$6,500,000	\$835,000	0.3%
Broward Addiction Recovery Center (BARC)	13,673,835	273,477	273,477	2.0%
Lauderhill PAC/Library	8,650,000	173,000	253,500	2.9%
Pompano Beach Library	7,233,264	144,665	80,500	1.1%
Ravenswood Bus Maintenance Facility	40,455,000	809,100	0	0.0%
South Animal Care Facility	31,266,460	625,329	210,000	0.7%
64th Street Warehouse / Emergency Distribution Center	7,491,000	149,820	0	0.0%
West Regional Court House Traffic Courtroom	919,810	18,396	0	0.0%
West Regional Court House Probation	599,550	11,991	0	0.0%
Dan Pearl Library	483,000	9,660	0	0.0%
Downtown Bus Lighting Retrofit	410,575	8,212	0	0.0%
S. Family Success Center Improvements	115,400	2,308	0	0.0%
General Governmental Total	\$436,297,894	\$8,725,958	\$1,652,477	0.4%
Cruise Terminal 25	40,000,000	700,000	700,000	1.8%**
Port Everglades Total	\$40,000,000	\$700,000	\$700,000	1.8%
FLL Parking Facility and System Improvements	3,500,000	108,676	0	0.0%
North Perry Airfield	1,697,120	45,053	0	0.0%
Terminal 4 Terrazzo Floor & Baggage Service***	2,187,163	43,743	800,000	36.6%
Pedestrian Bridges – Phase II***	4,990,741	187,195	642,547	12.9%
Terminal 1 Concourse A***	150,000,000	3,000,000	2,571,429	1.7%
Aviation Total	\$162,375,024	\$3,247,500	\$4,014,286	2.5%
Total Capital Improvement Projects	\$638,672,918	\$12,673,458	\$6,366,763	1.0%

Prepared by Office of County Auditor using data provided by County staff

*Portion of total project budget that is eligible for art allocation

**This project included roadway work which has a 1% public art requirement. The blended requirement was 1.8%.

*** Aviation actual allocation includes auditor calculated support and art preservation funds.

The Ordinance allows the Board, in its sole discretion, to reduce, eliminate, or waive any or all of the public art appropriations. However, we could not identify any public record documenting the Board’s decision to waive art for the nine projects with no allocation for public art. For the four projects that received less than the required art allocation, although the amounts allocated were Board approved, it was unclear whether the Board was presented with and expressly reduced the requirement.

The Ordinance further allows for funds appropriated for a capital project, but later deemed not necessary or appropriate, in whole or in part, for that project, to be expended on other public art projects, subject to any bond, legal, or grant restrictions. These funds would be pooled in the Art and Design Trust Fund and expended at Board direction when appropriate. We found no evidence that the required funds were pooled elsewhere or expended on art.

Management was unable to validate the above table or provide records demonstrating adequate monitoring and compliance with the Ordinance. Management indicated that project budgets for the Pompano Beach Library, Dan Pearl Library, and S. Family Success Center Improvements included equipment costs that are not eligible costs for determining the art allocation and the South Animal Care Facility included ineligible land costs. However, they were unable to separate these amounts. Management also identified the Ravenswood Bus Maintenance Facility and 64th Street Warehouse/Emergency Distribution Center as having minimal use by the public and therefore were excluded from the art funding. However, the Ordinance does not distinguish capital projects by public use. As stated above, the Ordinance allows for funds appropriated for a specific capital project (such as a project with minimal use by the public) to be expended on other public art projects.

- B. The public art funding requirement appears excessive in some instances. As shown in Table 4, only nine of the 18 capital improvement projects completed in fiscal years 2017 and 2018 included an appropriation for public art. In addition, four of the nine projects were funded at less than the required amount. Therefore, it appears that the full art appropriation was not deemed necessary. Since the need for public art varies, depending on the project, consideration should be given to including the specific amount to be spent for art on the specific project in the specific project budget.

Significant unspent art balances remained available for use at fiscal year 2018 year-end. Aviation and Port Everglades each combine appropriated but unused art monies within a fund from which the actual art expenditures are made. The available balances in these funds totaled \$966,001 for Aviation and \$1,077,457 for Port Everglades as of September 30, 2018. These amounts are significant when compared to total historical art expenditures of current artwork which were \$10,829,922 for Aviation and \$2,241,945 for the Port. Table 5 on the following page, shows the balances available for new art as compared to historical expenditures.

Table 5 – Public Art and Design Available Funds – Aviation and Port Projects

Public Art & Design Purchased Art	Aviation	Port
Fund Balance	\$3,286,699	\$1,557,874
Less Allocation Set Aside for Art Preservation*	<u>(2,320,698)</u>	<u>(480,417)</u>
Fund Balance Available for New Art	\$966,001	\$1,077,457
Total Purchased Art	\$10,829,922	\$2,241,945

Prepared by Office of County Auditor using data from Port Everglades, Aviation, and Appraisal Report

*Estimated based on the Ordinance requirement that 15% of appropriations for public art be set aside for future preservation.

Unlike Aviation and Port projects, art allocations for general governmental projects are made directly to each capital project fund rather than through an art trust fund. Unused art monies are transferred out at the end of the project. Therefore, the unspent art balance for general government projects is not known, as further discussed in Opportunity for Improvement No. 2.

It appears that even underfunding the art requirement for capital improvement projects, results in an excess of unused funds.

We recommend management:

- A. Administer art allocations for capital improvement projects in accordance with the Public Art and Design Program requirements ensuring the appropriate allocations or Board waiver is applied to each eligible capital project.
- B. Evaluate the Public Art and Design Program requirements as to the required level of art funding and appropriate project types and report back to the Board. The evaluation should consider the feasibility of tracking and monitoring compliance with the program and evaluate alternative methods of budgeting for public art. One such method would be to budget the specific amount to be spent for art within each specific project budget.

2. Public Art and Design Funding Should Be Adequately Accounted for and Tracked Within a Trust Fund, and Monies Need to Be Set Aside for Art Preservation and Maintenance.

Pursuant to the Public Art and Design Ordinance, all art funds in connection with the construction or renovation of a facility or system, except bond funds, shall be appropriated and deposited to the trust fund. The Ordinance further states that an amount equal to 30% of the public art allocation also be set aside in a separate account within a trust fund, with 15% (half) for administrative support, and 15% (half) for the preservation and maintenance of artworks.

Currently, art project funding for general government capital improvement projects is accounted for directly in each capital project account and is not set aside in a separate trust fund, as required. As a result of this deficiency, the funds that should be set aside for future art conservation may be inadequately tracked or 'lost' when the capital projects are completed.

As a result of the lack of consolidation of the art funding in a trust account, the Cultural Division and Office of Management and Budget could only provide \$153,388 set aside for preservation of the art. We estimate the required amount to be up to \$1,889,541, based on 15% Ordinance requirement applied to all historical artwork purchases of \$8,817,856 for governmental capital improvement projects. The actual required amount would be lower because artwork purchases occurred before the ordinance was enacted and monies may have been expended from the preservation fund.

We recommend all non-bond funded art and design project funds be deposited into a trust fund, and the Cultural Division coordinate with the Office of Management and Budget and the Accounting Division to account for the \$1,889,541 set aside for public art preservation.

3. Fair Market Values of Purchased Artwork Should Be Determined.

In order to adequately assess the value of County owned artwork, the Cultural Division should obtain third-party appraisals of the fair market value of artwork. Fair market value is an important metric in evaluating the prices paid for artwork and the performance of the PAD program. Every five years, the Cultural Division obtains a third-party appraisal identifying the replacement value of purchased art. While replacement value is necessary for insurance purposes, it reflects the cost to replace existing artwork, whereas fair market value more accurately reflects the value of the artwork in place and is commonly used when artwork is being sold.

All art acquired through the PAD program was appraised on September 28, 2017, by a professional appraiser. The report reflected total replacement value of \$27,418,207 as compared to a purchase cost of \$21,889,723. Based on our discussion with the appraiser, fair market values are often less than 50% of replacement value. As a result, we estimate the fair market value of County artwork may be approximately \$13.7 million less than the replacement value. The public should be aware of the market value of art work that public funds have purchased.

We recommend management:

- A. Obtain third-party appraisals of the fair market value of County owned artwork.
- B. Utilize and report the appraised fair market values in assessing purchased artwork.

4. Cultural Division Contract Administrators Do Not Attend County Grant Funded Events to Verify Compliance with Grant Provisions.

Contract Administrators should periodically attend events to verify compliance with grant provisions. We reviewed the funding for nine grant recipients and did not identify any documentation that the contract administrator(s) attended the events to verify compliance with the grant provisions. Cultural Division management indicated that contract administrators do not attend events since the acceptance of a ticket to attend an event may be considered a violation of the County's ethics policy. However, attendance requirements should be included as a contract provision, as staff would be attending to verify compliance, not to participate as a guest.

We recommend management:

- A. Coordinate with the County Attorney's Office to include requirements in grant agreements to provide Contract Administrators with staff/employee level access to events.
- B. Develop procedures for event attendance including guidance for which events should be attended, the nature and extent of on-site monitoring to be performed, and documentation requirements.

MANAGEMENT'S RESPONSE



BERTHA W. HENRY, County Administrator
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TO: Robert Melton, CPA, CIA, CFE, CIG
County Auditor

FROM: Bertha Henry
County Administrator

DATE: May 21, 2019

RE: Management Response to the Office of the County Auditor's Audit of the Cultural Division

The Cultural Division and the Office of Management and Budget have reviewed the Office of the County Auditor's Audit Report on the Cultural Division and submits the following as Management's response.

In summary, Management appreciates the external validation that cultural grants are administered appropriately, and that funds are accounted for and handled properly. The report also identifies opportunities for improvement regarding public art funding processes. Management agrees that improvements could be made to the public art program to clarify eligibility and that communications regarding recommendations can be enhanced.

Opportunity for Improvement 1: The Public Art and Design Funding Requirements Were Not Met and Should Be Reevaluated.

Recommendation A. Administer art allocations for capital improvement projects in accordance with the Public Art and Design Program requirements ensuring the appropriate allocations or Board waiver is applied to each eligible capital project.

Management's Response A: Management concurs and will administer art allocations for capital improvement projects in accordance with Board direction. The process by which the County adopted specific amounts for public art for capital projects discussed in this audit involved a number of approaches. Significant examples presented by the auditor include:

The County Courthouse Complex was discussed on March 1st, 2011, and the agenda item stated "On January 25th [2011], the Board amended the Public Art Ordinance to require the functional integration of art in construction projects and give the Board discretion on how much to spend on a project by project basis. To date the architect for the courthouse has integrated some aesthetic features into the main lobby. There is \$845,000 budgeted in the Public Art Fund for the project which was set aside when funds were appropriated for a Family Courthouse. No additional funds were appropriated for art in the new courthouse pending the amendment of the Public Art Ordinance."

In capital budgets since 2013, the recommended amounts for public art were shown as a separate page each year. This set of recommendations for "Capital Project Public Art

*Management Response to the Office of the County Auditor's
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Allocations" showed the projects being recommended for public art funding each year, and how the recommendations compared to the public art ordinance allocation. Projects not shown on this table were implicitly recommended for no funding. Rationale used to recommend less than full funding include: share of eligible costs (land purchases are not eligible), facility areas not seen or used by the general public, grant funds (often not eligible per grant requirements), or commission direction (beach renourishment).

In the case of Ravenswood Bus Maintenance Facility, this facility is not seen or used by the general public.

	Auditor report ordinance amount	Auditor report actual allocation	Difference	Comments
Courthouse Complex	6,500,000	835,000		Board action appropriated \$845,000 on March 1 st , 2011.
Ravenswood Bus Maintenance Facility	809,100	0		Project involved facility areas not seen or used by the general public
All other projects	5,364,358	5,531,763	(167,405)	
Total all projects	\$12,673,458	\$6,366,763	\$6,306,695	

The difference identified by the Auditor of \$6,306,695 would be offset fully by using the Commission adopted appropriation for the Courthouse complex, and assuming the exception for Ravenswood for facility areas not seen or used by the general public from Public Art recommended funding.

Management agrees to refine the presentation of the "Capital Project Public Art Allocations" section of the Capital Budget to clearly communicate that projects not shown for recommended public art funding are recommended to have public art funding eliminated or waived or are ineligible. Management will review if additional documentation of Board action for the public record would be beneficial.

Recommendation B. *Evaluate the Public Art and Design Program requirements as to the required level of art funding and appropriate project types and report back to the Board. The evaluation should consider the feasibility of tracking and monitoring compliance with the program and evaluate alternative methods of budgeting for public art. One such method would be to budget the specific amount to be spent for art within each specific project budget.*

Management's Response: B. Management concurs. The current public art requirements could be revisited to clarify issues identified in this report. The current approach in recent years has been to budget the specific amount for public art that the Board appropriates in the specific project budget.

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Opportunity for Improvement 2. Public Art and Design Funding Should Be Adequately Accounted For and Tracked Within a Trust Fund, and Monies Need to Be Set Aside For Art Preservation and Maintenance.

Recommendation: We recommend all non-bond funded art and design project funds be deposited into a trust fund and the Cultural Division coordinate with the Office of Management and Budget and the Accounting Division to account for the \$1,889,541 set aside for public art preservation.

Management's Response: Management concurs. Funds for projects with Public Art are currently accounted for either in the Public Art Trust (PAD Trust) or within the specific capital project in the relevant capital fund. The County will review these amounts with the intention of transferring all amounts to the PAD Trust, notwithstanding fund restrictions (e.g. Enterprise or bond funds). These amounts include allowances for preservation and maintenance, based on the adopted budgets, and these amounts will also be transferred where possible.

Opportunity for Improvement 3. Fair Market Values of Purchased Artwork Should Be Determined.

Recommendation A: Obtain third-party appraisals of the fair market value of County owned artwork.

Response: A. Management concurs. A fair market value appraisal could be obtained in addition to an insurance appraisal. The current approach is to commission an appraisal for replacement value, that includes a condition report. The cost of the 2017 appraisal was \$26,500 and bids received from other appraisers were as high as \$65,000. Management will develop a methodology for a fair market value appraisal that ensures that the cost of the appraisal does not substantially escalate, while still obtaining results and benefits outlined in the report.

Recommendation B. Utilize and report the appraised fair market values in assessing purchased artwork.

Management's Response B: Management concurs. The fair market value of the County's public art collection will be reported to County agencies, the Public Art & Design Committee and the Broward Cultural Council, and elsewhere as appropriate.

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Opportunity for Improvement 4: Cultural Division Contract Administrators Do Not Attend County Grant Funded Events to Verify Compliance With Grant Provisions

Recommendation A: *Coordinate with the County Attorney's Office to include requirements in grant agreements to provide Contract Administrators with staff/employee level access to events.*

Recommendation B: *Develop procedures for event attendance including guidance for which events should be attended, the nature and extent of on-site monitoring to be performed, and documentation requirements.*

Management's Response A and B: Management will review specific recommendations with the Office of the County Attorney in light of the provisions in the County's ethics code.

cc: Monica Cepero, Deputy County Administrator
Andrew J. Meyers, County Attorney
Phillip Dunlap, Director, Cultural Division
Norman Foster, Director, Office of Management and Budget