



Follow-Up Review of
Audit of the
Cultural Division

Office of the County Auditor

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

Follow-Up Review Conducted by:
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Report No. 20-10
January 29, 2020



OFFICE OF THE COUNTY AUDITOR

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January 29, 2020

Honorable Mayor and Board of County Commissioners:

We have conducted a follow-up review of the Audit of the Cultural Division. The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that one recommendation was implemented, four were partially implemented, and two were not implemented. The status of each of our recommendations is presented in this follow-up report.

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

We appreciate the cooperation and assistance provided by the Cultural Division throughout our review 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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IMPLEMENTATION STATUS SUMMARY

FOLLOW-UP REVIEW OF THE AUDIT OF THE CULTURAL DIVISION

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1. 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.		✓		
1. 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.	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. A)	Obtain third-party appraisals of the fair market value of County owned artwork.			✓	
3. B)	Utilize and report the appraised fair market values in assessing purchased artwork.			✓	
4. 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.	✓			
4. 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.		✓		

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 a follow-up review of the Cultural Division (Report No. 19-09). The purpose of this follow-up review is to determine the status of previous recommendations.

We conducted this review 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 follow-up review included such tests of records and other auditing procedures as we considered necessary in the circumstances. The follow-up testing period was June 1, 2019 to December 31, 2019. However, transactions, processes, and situations reviewed were not limited by the audit period.

Overall Conclusion

We conclude that one recommendation was implemented, four were partially implemented, and two were not implemented.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS

This section reports actions taken by management on the recommendations in our previous review. The issues and recommendations herein are those of the original review, followed by the current status of recommendations.

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

During our prior audit, we noted that 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.

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.
- B. The public art funding requirement appears excessive in some instances. Significant unspent art balances remained available for use at fiscal year 2018 year-end.

We recommended that 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.

Status:

- A. **Partially Implemented.** New reporting within the Fiscal Year 2020 Adopted Budget explicitly shows art allocations for capital improvement projects in accordance with the Public Art and Design requirements for general funded projects. The Budget also lists allocations for Seaport and Airport projects and staff are working to ensure inclusion of all capital projects for each Enterprise Fund.
- B. **Partially Implemented.** The Cultural Division is continuing to work with County Administration to evaluate the applicable ordinance and methodology.

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.

During our prior audit, 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 Recommended:

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.

Status:

Partially Implemented. The Office of Management and Budget (OMB) has moved all General Capital funds related to artwork (approximately \$1.4M) to the Trust Funds. This does not include any funds in restrictive revenue funds such as enterprise funds like the Airport and Seaport. This transfer during the First Supplemental Budget, which was approved by the Board on December 10, 2019, was the first opportunity to transfer budget amounts. OMB will review with the Cultural Division to assess current balances for public art and preservation and how past spending related to preservation of art was accounted for in the various County funds and determine whether further adjustments can be considered.

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

During our prior audit, we noted that the Cultural Division obtains third-party appraisals identifying the replacement value of purchased art. However, 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.

We recommended that 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.

Status:

- A. **Not Implemented.**
- B. **Not Implemented.**

Management has responded that the ordinance provides that insurance and maintenance surveys are updated at least every five (5) years to which they have complied. The next one is scheduled for fiscal year 2022 and staff will conduct such surveys at that time. Management further disagrees with utilizing “fair market value”. According to management, fair market value appraisals would only apply to free-standing artworks that could conceivably be resold and, with a vast majority of the County’s art collection being integrated into buildings (i.e., murals, mosaics, flooring, etc.), a “fair market” valuation would not be effective and may impact the County’s ability to collect full replacement value under insurance policies for any damage or defacement.

We continue to recommend that management implement the recommendations as fair market value is an important metric that should be reported.

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

During our prior audit, 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.

We recommended that 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.

Status:

- A. **Implemented.** Based on our review of the new shell agreement as approved by the County Attorney, we determined that contract administrators can attend events, utilizing tickets provided by the grantee, for the purpose of evaluating compliance with grant agreement.

Additionally, subsequent to our audit, we were informed that Cultural Council members attend grantee events to verify compliance with grant provisions and provide evaluations and written reports to contract administrators. Cultural Division staff provided policies demonstrating that Council members are asked to visit and evaluate at least four arts organizations a year that are funded by the Cultural Division and that the evaluations include written evaluation forms and verbal reports at Council Meetings. This is an important monitoring activity performed by the Cultural Council.

- B. **Partially Implemented.** Staff developed draft procedures which will be formalized and implemented.