



Museum of Art 2nd Follow-Up Audit

Issued by the
Internal Audit Office
January 22, 2009

**City of El Paso
Internal Audit Office
Museum of Art 2nd Follow-Up Audit**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a 2nd follow-up audit on the original Museum of Art Audit Report dated December 5, 2006. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Original Finding	Status
1	The art inventory reports are not accurate, complete and reliable. We found a lack of a comprehensive inventory report that lists all the permanent art pieces under one reporting system.	Implemented
2	The appraisal values for the art inventory have not been updated since the acquisition date of the art piece. We tested 100 of the most valued art pieces which were 86% of the entire inventory collection and found 96% of our sampled items had not been recently appraised to determine the current value.	Implemented
3	We found a lack of a comprehensive report listing the various types of bequeathed assets (unrestricted, temporarily restricted and permanently restricted) to understand the risks involved. A donor file which reflects the fund requirements of these assets was also lacking.	Implemented
4	Internal controls over the store museum are weak. The store museum has been operating at a loss for the last four years. There is a lack of profit and loss analyses on store performance and no reviews of monthly expenditures are performed.	Implemented
5	The collection of rental revenue is untimely, poorly monitored and lacks strong internal controls.	Not Implemented (Management will Assume the Risk)
6	There are no policies and procedures over the donations box. There is no specific time of when the donation box is emptied. The decision to count the money is subjective based on how full the box appears. Inconsistent methods are used to open the box.	Not Implemented (Management will Assume the Risk)
7	Art pieces in the art storage room are not safeguarded adequately. During the sample test of the inventory records, we found the entrance door to the art storage room left wide open and the area unattended.	Implemented

For a detailed explanation of the findings and the current observations please refer to the appropriate finding contained in the body of this Audit Report.

Based on the results of this follow-up audit, five (5) of the original seven (7) findings have been implemented and two (2) of the original seven findings management will assume the risk of not implementing corrective actions. No additional follow-up audits will be conducted by the Internal Audit Office.

Type of Audit	Date of Audit	Results
Original Audit	December 5, 2006	7 Original findings identified
1 st Follow-Up Audit	June 19, 2008	4 Findings fully implemented 3 Findings in progress of implementation
2 nd Follow-Up Audit	January 22, 2009	1 Finding fully implemented 2 Findings management will assume the risks

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BACKGROUND

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing, Standard 2500.A1*, requires a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings. The Internal Audit Office has conducted a follow-up audit of the Museum of Art Audit Report dated December 5, 2006.

AUDIT OBJECTIVES

The audit objective was to determine the status of the three (3) pending recommendations not considered implemented during the initial follow-up.

SCOPE & METHODOLOGY

The follow-up audit was limited to a review of the pending findings and recommendations detailed in the follow-up audit report, dated June 19, 2008. The audit period covered the operations of the El Paso Museum of Art from September 1, 2008 to the present. Audit fieldwork included interviewing key personnel, reviewing documents, and testing management processes to determine the status of each recommendation.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Original Finding 1

Inconsistent Art Inventory Control Procedures

The art inventory reports were not accurate, complete and reliable. During our completeness test of 25 judgmentally selected items from the floor, we found a lack of a comprehensive inventory report that lists all the permanent art pieces under one reporting system. From our test samples, 28% had no value amounts on the art pieces, 12% had no accession (asset) identification number and 60% had no value amount or accession (asset) identification number.

- The last physical inventory was conducted in 1998 with only 85% of the total collection inventoried.
- The three source reports were not integrated and lacked a standard form of reporting.
- Information on the Collection.doc and Accession Log files did not have value amounts for the art pieces.
- The Texas Municipal League Intergovernmental Risk Pool (TML insurance report) did not reflect the accession number (asset identification number).
- During the test count, six art pieces were missing the accession number (asset identification number).
- Two art pieces listed on the TML report (ID# 3343 and ID# 3345) were on loan to the City of El Paso Art Museum and not part of the museum's permanent collection. Only permanent pieces should be listed on the inventory report.

Recommendation

To ensure that art inventory is accurate, complete and reliable, Museum of Art Management should implement proper internal controls to enhance best practices, such as appropriate accounting of art collection pieces and consistent record keeping to reduce errors and omissions. In addition, Museum of Art Management should conduct a 100% physical inventory of the art inventory and reconcile to a comprehensive inventory report.

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Management's Response

It is uncertain where the 85% inventory figure comes from. During the move from the Montana location to the current building in 1998, the entire collection was packed, accounted for and moved. Curatorial staff is working to integrate past inventory lists including values and accession numbers into the current format, which is in place. Previously, the Collection.doc was used for location and label information purposes only. It will be more inclusive from this point forward. The City of El Paso no longer insures the fine art collection through TML.

It is standard museum practice to treat works on long-term loan as one would treat permanent collection objects. Loans are given unique numbers that identify them as loans and not accessions. They are cared for, exhibited, and stored in the same manner as permanent collection objects. EPMA insurance policy with Huntington T. Block covers all objects at the premises of the insured in the same manner "...property of the insured; property of others on extended loan to the insured for a period of six months or more; property of others offered as gifts to the insured...all of which are part of, and known as their Permanent Collection."

Responsible Party

Curatorial staff, including the Registrar, Assistant Curator, and Preparator under the supervision of Christian Gerstheimer, Curator; and the direction of Michael A. Tomor Ph.D.

Implementation Date

12/31/07

Chief Internal Auditor's Response

The museum staff provided the statistical information of 85% of the inventory being inventoried in 1998. The Internal Audit Office strongly recommends that the Museum of Art complete a thorough inventory of its collection to ensure proper safeguarding. The inventory should be completed as soon as possible due to the art inventory being at risk of being lost or stolen.

First Follow-Up Observation

- The El Paso Museum of Art is currently in the process of establishing a comprehensive inventory report that lists all of the permanent art pieces under one reporting system which includes art piece value amount and accession number. In order to populate the comprehensive database a physical inventory of its art inventory is currently being conducted, and as of May 2008 was 30% complete. It is estimated that the physical inventory will be completed during the first quarter of 2009, and a physical inventory will be conducted every five years thereafter.
- A sample of the top five valued art pieces was selected in order to test the accuracy, completeness, and reliability of the physical inventory that is currently being conducted and of the information that is being inputted into the PastPerfect database.
 - Five out of five (100%) of the art pieces reviewed have been completely imputed into the PastPerfect database with their corresponding value amount, and accurately have their corresponding accession # located on the art piece.

First Follow-Up Status

Implemented.

Original Finding 2

Outdated Appraisal Values for Art Inventory

The appraisal values for the art inventory have not been updated since the acquisition date of the art piece. From our \$51,676,533 total inventory amount tested, we found 96% or \$49,840,000 of our sampled items, which had not been recently appraised to determine the current value. The \$51,676,533 represents 86% of the \$60,000,000 currently appraised art collections with cost values dating back to 1961. The total value of the Kress Collection in our sample test amounted to \$45,400,000 which had not been updated since it was acquired in 1961. Furthermore, the art inventory amount is not reflected on the City's balance sheet adversely affecting the City's net worth.

Recommendation

Museum of Art Management should have the art inventory appraised on a regular basis to safeguard the value of their assets. This will ensure that the inventory amounts are accurate and fair. In addition, this will set the proper value for insurance purposes. The art inventory amount should be reflected on the balance sheet for proper recording of the City's net worth.

Management's Response

A small percentage of the values of works in the permanent collections have been updated since the time of acquisitions. When works are loaned to other institutions or to traveling exhibitions or when works are conserved values are updated. EPMA is currently in the process of obtaining bids to reappraise 500 of the most valuable works in the collection. With appropriate funding provided by the City of El Paso, this project will take place during FY2007-08 in preparation for the EPMA reaccreditation with the American Association of Museums, EPMA's insurance policy with Huntington T. Block does not require the museum to provide a comprehensive list of current insurance values for each object in the collection. It is standard museum practice to "insure for an amount determined from a list of the museum's most values objects" not for a listing of the entire collection.

Responsible Party

Curatorial staff, including the Registrar, Assistant Curator, and Preparator, under the supervision of Christian Gerstheimer, Curator, and the direction of Michael A. Tomor, Ph.D., Director.

Implementation Date

12/31/07

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First Follow-Up Observation

- On May 6, 2008 City Council approved the award of Solicitation No. 2008-110 to Art International Resources, LLC to provide current fair market values for 500 of the most valuable works in the permanent collection of the El Paso Museum of Art. The appraisal process is scheduled to begin in September 2008 and be completed by June 30, 2009.
- At the completion of the appraisal project, the El Paso Museum of Art will be provided with a final assessment and an appraisal report. The appraisal will be used by the Financial Accounting and Reporting Section of Financial Services to report the art inventory amount in the 8/31/2009 CAFR (Comprehensive Annual Financial Report).
- Once the reappraisal process is complete, the El Paso Museum of Art will be reappraising the high value pieces every 10 to 20 years pending funding and City Council approval.
- No further follow-up on this finding will be necessary due to the long-term issue of getting an appraisal conducted and posting the art inventory values on the 2009 Financial Statements, which the Internal Audit Office has reasonable assurance will occur.

First Follow-Up Status

Implemented.

Original Finding 3

Inadequate Controls on Safeguarding of Restricted Assets

We found a lack of a comprehensive report listing the various types of bequeathed assets to understand the risks involved. There are no policies and procedures over maintaining records for these assets that have been donated to the Museum. A donor file which reflects the fund requirements of these assets was also lacking. Furthermore, we could not conduct a complete test to reconcile bequeathed assets to fund requirements and financial transactions due to reports and documents missing.

Recommendation

The Museum of Art's Management with the assistance of the City of El Paso's Financial Services should implement proper internal controls over the bequeathed assets to enhance best practices such as proper accounting, consistent record keeping, proper monitoring, managing and safeguarding the bequeathed assets. Creation of a standard policy to define each category (unrestricted assets, temporarily restricted assets and permanently restricted assets) should be developed.

Management's Response

It is clear that bequeathed assets in this audit and under Finding 3 refers only to non-art assets, because indeed policies and procedures as well as documented donor files are in place for the receipt of art. Donations to the endowments managed by the City of El Paso as well as those managed by the El Paso Museum of Art Foundation are listed and posted in El Paso Museum of Art membership software, but are not tracked by donor or the City of El Paso. In fact, the only method of cross-referencing revenue of this type in the city is by deposited check numbers. A response should be asked of Financial Services and OMB to this Finding. The El Paso Museum of Art will expand its existing system of Donor files to be inclusive of gifts of money and capital assets.

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Also, it would be the advice of the Museum of Art administration to have the City of El Paso's Office of Management and Budget and Financial Services adopt the policies and procedures already in place by the Museum of Art in the issuing of Deeds of Gifts, accompanying acknowledgement letters to donors and copies of these to the MCAD and EPMA managers. Clearly the Museum of Art must work with the City of El Paso's administration to develop such language in the receipt of restricted, temporarily restricted and permanently restricted gifts other than works of art.

Responsible Party

Curatorial staff, including the Registrar, Assistant Curator, and Preparator, under the supervision of Christian Gerstheimer, Curator, and the direction of Michael A. Tomor, Ph.D., Director in concert with OMB with Financial Services.

Implementation Date

August 31, 2007

Chief Internal Auditor Response

A copy of this report will be made available to OMB and Financial Services for assistance in the creation of a strong monitoring system. The responsibility of managing the restricted assets is with the Museum of Art. The museum benefits from the restricted asset and therefore must take responsibility for the asset.

First Follow-Up Observation

- There continues to be a lack of a comprehensive report listing the various types of bequeathed assets (both non-art and art assets).
 - The El Paso Museum of Art does not maintain a separate listing for bequeathed art assets; bequeathed art assets are treated as gifts by the El Paso Museum of Art and are listed with all other museum accessions.
 - Financial Services does not have a listing of bequeathed non-art assets because the City currently does not have any bequeathed assets.
- There is no policy and procedure in place specifically for bequeathed non-art donations to the City of El Paso for the El Paso Museum of Art.
 - The procedures for "Donated property (Capital Assets)" contained within the Capital Assets Manual are used for donations of capital assets. The Capital Assets Manual does not address the allocation of funds from the sale of the donated museum non-art assets.
 - The procedures for "Acquisitions" contained within the El Paso Museum of Art Policy Manual are used for the donation of bequeathed assets, which follow the same guidelines used by the museum for Accessions and Acquisitions. Donor files are maintained by the El Paso Museum of Art in what they call an "object" file.

First Follow-Up Status

In Progress.

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Current Observation

The El Paso Museum of Art has received very few bequeathed assets. There is no policy and procedures in place specifically for bequeathed donations of money to the City of El Paso for the El Paso Museum of Art. Therefore the City of El Paso's Capital Assets Manual should be used until a policy for bequeathed assets is developed.

Current Status

Implemented.

Original Finding 4

Poor Management Controls at the Store Museum

The following management control weaknesses and risk areas were identified for the store museum in regards to revenues and inventory:

- Adequate reconciliation between the point of sale system and general ledger are not being performed, since variances are not investigated and there is no management review of the reconciliations.
- There are no trend analyses being performed on profit and loss activities by management.
- There are no reviews of monthly expenditures being performed.
- There is a lack of profit and loss analyses on store performance which include expenses associated with salaries and wages of store employees.
- The store museum has been operating at a loss in the last four years as summarized below:

Fiscal Year:	2004	2005	2006	2007
Revenues	\$ 77,321	\$ 65,533	\$ 72,492	\$ 23,544
Expenses	\$ 105,506	\$ 136,117	\$ 106,265	\$ 58,206
Operating Income (Loss)	<u>\$ (28,185)</u>	<u>\$ (70,584)</u>	<u>\$ (33,773)</u>	<u>\$ (34,662)*</u>

*As of November 30, 2006.

- Daily revenues (cash, checks and credit card receipts) are kept in an unsecured desk drawer.
- If there is a cash shortage, the cashier is responsible to pay the shortage out of his/her pocket.
- In handling the store museum revenues, there is no segregation of duties between depositing the monies into the bank and journalizing the entry into the general ledger account. The Associate Accountant performs both functions.
- We noted improper cutoffs, unreliable inventory counts and untimely record keeping as there are no standard inventory procedures in place over the store merchandise.

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Recommendation

Museum of Art Management should implement internal controls over the store museum operations so that store performance can be measured, monitored and adequately operated.

Management Response

The Museum of Art is not able to deny or support the assertion made by the Audit Team that the Museum Store has been operating at a loss for the last four years as summarized above. According to the Audit Team, who pulled their information from OMB and Financial Services, the store has been running a deficit for four years. According to records of the Museum Store Manager, only one of those four years ran a deficit and the movement of funds (balance transfers) through the Museum Store account has given the impression of high expenses, when in fact it is a software glitch that registers all outgoing funds from the account as expenses (this includes balance transfers). When seeking clarification, the Accountant of the Museum and Cultural Affairs and the Museum Store Manager confirmed the expenses to be exclusively balance transfers of unrestricted, undesignated funds for an exhibition that ran through the Museum Store account. The nature of this conversation has been the same and unresolved since the arrival of the Director in March 2006. A full investigation of this deficit needs to be carried out by the Museum staff, OMB, and Financial Services.

Proposed by the Museum's management is the following: Monthly reports between Point of Sale (POS) system and General Ledger, including Revenues, Expenses, Salaries, and Losses will be submitted to the Director by the 10th of the following month detailing the prior month. A Profit & Loss Report, monthly expenditure reports will accompany the monthly POS to determine trends in sales. Monthly budget status reports will be generated by MCAD Accountants and matched against internal reports generated by the Museum Store Manager.

To secure cash and check transactions, a safety box will be purchased with keys given to the MCAD accountant, the Director, and the Museum store staff. Policies of operation will be generated and will include process for declaring cash shortages and overages, theft, opening and closing, attire, etc.

Effective immediately, cash will be deposited by the Director's assistant, while credit card sales will still be processed by the Museum Store Manager. Deposit slips and credit card reports will be sent to the MCAD accountant to post. Quarterly inventory reports will be forwarded to the Museum Director and will include Name of Product, quantity, retail value, purchase price, consigned value, projected net losses.

Responsible Party

Museum Store Manager, Armando Vargas; Associate Accountant for the Museum and Cultural Affairs Division, Irene Herrera; Director, Michael A. Tomor, Ph.D.

Implementation Date

March 30, 2007

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Chief Internal Auditor's Response

The Internal Audit Office was unable to obtain any financial information from the Museum of Art. The Museum of Art's Accounting Technician, Irene Herrera referred the Auditors to the Office of Management and Budget because no data was available. The records mentioned in Management's Response were never made available to the Internal Audit Office. Considering the availability and reliability of data, the Internal Audit Office would rely more on data obtained from the OMB office than data provided by the Museum of Art.

First Follow-Up Observation

Museum of Art Management has implemented adequate internal controls over the store museum operations so that store performance can be measured, monitored and adequately operated.

First Follow-Up Status

Implemented.

Original Finding 5

Poor Controls on Collection of Rental Revenue

The collection of rental revenue is untimely, poorly monitored and lacks strong internal controls. There are three various sources which specify when full rental payment is due:

- The "Invoice" states that payment is due seven days prior to the event date.
- The "Rental Fees" information sheet states that rental fees shall be paid in full to the museum eight days prior to date of event or event will be cancelled.
- The "Special Events Use Agreement" states the full balance amount is due on a specific date which is outlined in the agreement.
- There is no consistency in the due dates from the three sources listed above.

During our sample test of ten rental engagements, we found 80% of customer payments were delayed and paid after the contractual due date agreement. From our \$9,686.88 total invoice amount tested, we found 85 % or \$8,189.84 of our sample items were paid between 4 to 68 days late.

Recommendation

Museum of Art Management should implement internal controls over due dates and the collection of rental revenues so that they are timely and properly monitored.

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Management's Response

All forms related to Rental Income will be standardized to include the same billing information. Invoicing will be processed by the Development Department and followed through by the Museum and Cultural Affairs Accounting Team. The Accounting Team will work with the Development Department to send second and third notices for payment to ensure timely receipt of revenue. Revenue and Expense Reports will be provided monthly to the Director by the 10th of the following month detailing the prior month activities and matched against monthly reports from OMB on the Museum's financial activities.

Responsible Party

Development Division Staff under the supervision of Jeffrey Romney, Head of Development under the direction of Michael A. Tomor, Ph.D. Director.

Implementation Date

March 31, 2007

First Follow-Up Observation

- Standardized rental payment due date information has been established but needs to be corrected on the Museum of Art website in order to correspond to internal museum documents.
- The spreadsheet maintained by the Development Department for rental revenue contains discrepancies that are not consistent with corresponding rental agreements.
- A review of five paid and three non-paid rental agreements conducted at the Museum of Art during the period of January – April 2008 was conducted with the following results:
 - Four out of five (80%) paid events reviewed contained rental agreements and corresponding invoices that did not state that the rental fee was due ten days prior to event.
 - One out of five (20%) paid events reviewed was paid after the contractual due date agreement.
 - One out of five (20%) paid events reviewed contained a Special Events Use Agreement that called for the El Paso Museum of Arts Director's signature without the signature being obtained.
 - One out of three (33.3%) of the non-paid events reviewed had \$1,250.00 in fees waived. There is currently no procedure or policy in place to support the waiving of rental fees.
 - One out of three (33.3%) of the non-paid events reviewed contained a payment due date of "5 days prior to event" and contained a Special Events Use Agreement that was not signed by the applicant.

First Follow- Up Status

In Progress.

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Current Observation

- Standardized rental payment due date information contained within the billing invoices, “Rental Fees” form, and the “Special Events Use Agreement Contract” has been established but is not being adhered to.
- A review of seven (7) rental agreements and corresponding invoices was performed. It was determined that events are not paid “10 days prior to event” however, payments are received before or the day of the event, excluding those which use an alternate agreement. It is recommended that the 10 day requirement be adhered to or changed to correspond to actual operations.

Current Status

Not Implemented, management will assume the risk of not implementing corrective actions.

Original Finding 6

Weak Internal Controls on Donation Box

The following internal control weaknesses and risk areas were identified:

- There are no policies and procedures over the donations box.
- There is no specific time regarding when donation box is emptied out. The decision to count the money is subjective, based on how full the box appears.
- The donation box is opened first and then carried to the Associate Accountant’s office. This creates a risk in ensuring the money stays in the box while it is being transported.
- Inconsistent methods of opening the box are used. A screwdriver is sometimes used to open the donation box in lieu of a key.

Recommendation

Museum of Art Management should implement internal controls over the collection of donations so that they are timely and properly monitored.

Management Response

A procedure for the collection and documentation of the contents of the donation box will be implemented. The donation box will be emptied on the first Monday of each month. This task will be carried out by a team consisting of two members of EPMA staff – one member of the Curatorial Department (Preparator, Registrar, Curator, Assistant Curator or Director) and one member of the Operations staff. The collected donations will be transferred by both members of this team to the Receptionist who will then tally the amount collected for the month and forward this amount to the appropriate fund. It is recommended that a standard form be used for this process each time. This figure will be approved and signed off by both members of the team. The procedures for securing and opening the donation box is and will remain consistent. Special security screws are used to affix the cover on the donation box to the base. The bit for these security screws is held by the Curatorial staff. (This is the same screw/bit combination that is used to provide additional security to artwork, when necessary, in the galleries.)

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Responsible Party

Curatorial Staff, including the Registrar, Assistant Curator, and Preparator, under the supervision of Christian Gerstheimer, Curator, and the direction of Michael A. Tomor, Ph.D., Director and one Visitor Security Resource guard, under the supervision of Museum Operations Supervisor Jesse Salgado.

Implementation Date

August 31, 2007

First Follow-Up Observation

- The El Paso Museum of Art has implemented procedures, Donation Box Collection Procedure, for the collection and documentation of the contents of the donation box. A Donation Box tally sheet has been implemented to help document the contents of the donation box.
- The first Monday of each month has been established as the specific day that the donation box will be emptied, but adherence to this procedure is not being followed or enforced. The donation box is being emptied when a particular member of the Curatorial staff is available instead of having another Curatorial staff member help with emptying of the donation box.
 - Donation box funds were not collected and tallied on the first Monday of each month for four out of five (80%) months reviewed.
- Donation box funds are not being deposited in a timely fashion and are being used as a change fund for Museum employees.
 - Donation box funds were deposited ten to twenty-five business days from the date of receipt for five out of five (100%) months reviewed.
- Four Spanner screws are being used to affix the cover of the donation box to the base, with the Curatorial staff having access to the bit for the screws. The donation funds are transported from the donation box to the board room, to be tallied, using a cardboard box. Once the funds are counted they are placed in a bank bag and stored in a locked filing cabinet in the Senior Secretary's office.

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In Progress.

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Current Observation

- The first seven days of each month has been established as the specific time period when the donation box will be emptied. A review of August through November tally sheets identified adherence to this procedure is being followed.
 - Donation box funds were collected and tallied within the first seven days of each month for four out of four (100%) months reviewed.
- Donation box funds are not being used as a change fund for Museum employees.
- Donation box funds are not being deposited in a timely fashion however the amounts of the deposit were determined to be immaterial given that the fiscal budget for donations is approximately \$125,000.

Date Box was Emptied	Date Money was Deposited	# of Business Days	Amount of Deposit
September 2, 2008	September 3, 2008	1	\$191.40
October 3, 2008	October 17, 2008	10	\$205.22
November 6, 2008	December 1, 2008	16	\$213.05
December 2, 2008	December 18, 2008	12	\$88.43
Total			<u>\$698.10</u>

Current Status

Not Implemented, management will assume the risk of not implementing corrective actions.

Original Finding 7

Weak Physical Security Over Art Inventory in Art Storage Room

Art pieces in the art storage room are not safeguarded adequately. During the sample test of the inventory records, we found the entrance door to the art storage room left wide open and the area unattended. Although a swipe card and a key is required and limited to the Registrar, Curator and Preparator to enter the storage room, entry was easily accessible as entrance door was unrestricted.

Recommendation

To ensure that the storage room is properly safeguarded, Museum of Art Management should enforce tighter controls for physical security over the assets located in the storage room to authorized personnel only.

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Management's Response

This observation is incorrect. The doors to Art Storage can only be accessed by members of the Curatorial team and the Director. This requires a swipe card programmed for this door as well as a key. At the time of the audit, the door was open but the Preparator was working in the recesses of the storage room. The general entrance to this area, which includes the Preparator's office and the matting/framing and the carpenter shop, is further restricted from members of the general public and visitors to the museum by a second door requiring swipe card access. EPMA is in the process of updating an Access to Collections Policy and the policy regarding access to art storage will be formally detailed there. In the future, the door to the storage facility will be closed and secured while staff works with the space, if staff is working in the recesses of the storage room and cannot properly monitor the entrance. Security cameras are always monitoring the entrance and emergency exits of the Permanent Collection storage and are monitored by a living guard from when the Museum is open to the public or during private events held at the Museum.

Responsible Party

Curatorial staff, including the Registrar, Assistant Curator, and Preparator, under the supervision of Christian Gerstheimer, Curator, and the direction of Michael A. Tomor, Director and Museum Operations Supervisor Jesse Salgado, who supervises the Visitor Security Resources.

Implementation Date

August 31, 2007

Chief Internal Auditor's Response

The Chief Internal Auditor conducted a secondary review of the work papers associated with this finding and has determined that the Art Storage Room door was indeed open. The Internal Audit Office strongly recommends the Museum of Art's management monitor the Art Storage Room more closely in the future.

First Follow-Up Observation

- Rules regarding access to the museum collections have been included in the access section of the Collections Care and Management Policy.
- "Rules for the art storage room at the El Paso Museum of Art" have been documented and established which state that the art storage room "doors must remain closed at all times unless staff is moving themselves or works of art through the doorway(s) or is within direct eyesight of the open door(s)."
- An "Art Storage Visitors Log" has been established and is in use when there is a "visitor" in the storage room.
- On two separate occasions it was observed that the doors to the storage room were closed. On both occasions a request was made to enter the storage room. Both times the Registrar accessed the storage room by swiping her employee card, opening the door with her keys, and then logging in that a visitor was present.

First Follow-Up Status

Implemented.

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this 2nd follow-up audit, we found that of the seven (7) original findings, five (5) have been implemented and two (2) management will assume the risk of not implementing corrective actions. Therefore, no additional follow-up will be conducted by the Internal Audit Office. The Museum of Art can expect future audit work to be completed in these areas. Consideration should be given to incorporate the improved processes identified in this report to all the Museum and Cultural Affairs' museums if possible.

We wish to thank the management and staff of the El Paso Museum of Art for their assistance and numerous courtesies extended during the completion of this Follow-up Audit.

Signature on File
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