



## **Internal Audit Department**

### **Art Museum and Galleries**

**February 5, 2018  
Report Number FY 18-03**

#### **Distribution:**

Audit Committee, Arizona Board of Regents

Internal Audit Review Board

Rita Cheng, President

Valerio Ferme, Dean, College of Arts and Letters

Bjorn Flugstad, Vice President, Finance, Institutional Planning and Analysis

Daniel Kain, Provost and Vice President for Academic Affairs

Joanne Keene, Executive Vice President and Chief of Staff

Ty Miller, Curatorial/Museum Specialist, Senior, NAU Art Galleries

Maya Murray, Fiscal Operations Manager, College of Arts and Letters

Wendy Nelson, Director of Financial Affairs, Office of the Provost

Michelle Parker, General Counsel

George Speer, Director, NAU Art Museum and Associate Professor of Art History

Wendy Swartz, Associate Vice President and Comptroller

This report is intended for the information and use of the Arizona Board of Regents, NAU administration, the Arizona Office of the Auditor General, and federal awarding agencies and sub-recipients.

This page left blank intentionally.

Northern Arizona University  
Art Museum and Galleries  
Audit Report

## Summary

Our audit of the NAU Art Museum and Galleries (the Museum) is in the Annual Audit Plan for FY 2018, as approved by the Audit Committee of the Arizona Board of Regents. This audit supports NAU's strategic goal of sustainability and effectiveness.

**Background:** As a teaching institution, the NAU Art Museum emphasizes the diversity of voices, media, themes and creative impulses at work in today's art. The Museum and the College of Arts and Letters believe in the centrality of artistic expression in all communities and cultures and in the incalculable value of art as an educational experience. The Museum sustains its role as a leading cultural institution in Northern Arizona through its acquisition of challenging, contemporary art, through its support of a vibrant annual schedule of special exhibitions and through its outreach efforts directed to the larger Northern Arizona community.

The Museum, with a staff of one Museum Director (functioning also as the Curator), one Museum Specialist Senior and between four and six student workers, houses over 1,500 objects, summarized as follows (see additional collection details at Exhibit A):

| Category                     | Quantity | %    |
|------------------------------|----------|------|
| Sackler Study Collection     | 202      | 13%  |
| 2D Artwork                   | 811      | 52%  |
| 3D Artwork                   | 270      | 17%  |
| Hash Ethnographic Collection | 34       | 2%   |
| Clay Stomp Objects           | 48       | 3%   |
| Weiss Gallery                | 196      | 13%  |
| Total                        | 1,561    | 100% |

The Museum Director/Curator and the Museum Specialist Senior have been managing the Museum since August 2008 and January 2009, respectively. The NAU Art Museum does not manage the outdoor artwork around campus. In addition to managing its inventory, the Museum staff also manage exhibitions, an endowment used to accession artwork, deaccessioning and loans (see additional Museum activity details at Exhibit B):

- Changing exhibition installations are displayed usually from September to May for approximately five weeks each. During fiscal year 2017 five exhibits were showcased, including a special summer installation.
- The Museum has an endowment with the NAU Foundation to purchase artwork. During fiscal year 2017 the Museum made one purchase of artwork in the amount of \$3,120.
- The Museum considers its collections permanent and no artwork was deaccessioned during fiscal years 2017 and 2016.
- The Museum loans works of art ideally not sensitive to the environment to the President's Office and College of Arts and Letters Dean's Office.

A security system, comprising video surveillance and door and window alarm sensors, as well as fire sprinklers throughout the Museum is used to safeguard the artwork. The Museum maintains membership with, and is pursuing accreditation through, the American Alliance of Museums; as such, the Museum is working to adhere to the guidelines, policies and practices established by

Northern Arizona University  
Art Museum and Galleries  
Audit Report

the American Alliance of Museums. Accreditation provides opportunities for external funding, such as regional and national grants, to support museum functions and administrative costs.

**Audit Objective:** The primary objective of the audit is to determine if the NAU art collection as stored and displayed in the Museum, is properly inventoried, stored and appraised.

**Scope:** The scope included a review of all policies, procedures and practices governing the operation of the NAU Art Museum and Galleries. We reviewed documents and system reports supporting compliance and reporting requirements that occurred from fall 2016 to spring 2017. We conducted such other analysis, tests and other procedures as we deemed necessary to address the audit objective.

**Methodology:** The following procedures were performed to accomplish the audit objective:

- Reviewed the NAU Art Museum and Galleries website
- Toured the NAU Art Museum and Galleries
- Reviewed ABOR and NAU policies and procedures relevant to the Museum
- Interviewed NAU management and staff responsible for Museum management
- Compared existing Museum practices to standards and best practices established by the American Alliance of Museums
- Inspected items in the art collection at the Museum
- Compared items in the database to the items in the art collection on a test basis
- Reviewed supporting documentation of items accessioned or deaccessioned during fiscal year 2017, if any.
- Sampled and tested revenues and expenses, as reported in PeopleSoft, for the Museum.

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

**Conclusion:** The inventory was appropriately organized and properly safeguarded for security and environmental controls. Currently, the Museum uses a paper based and manual system to manage and track their art collection. They use Microsoft Access and a numbering system to inventory and track their art collection. Based on the task at hand, they will perform specific informal inventory counts. The Museum uses three floors in Old Main to display and/or store their art collection.

| Controls Assessed |   |    |
|-------------------|---|----|
| 0                 | 4 | 10 |

**Observations:** We noted additional improvements being implemented by management as follows:

- The Collections Management and Deaccession policies are currently in draft form. They will be finalized by June 2018; pending NAU Legal Department review.
- The security system is in the process of being upgraded to combine the video surveillance and alarm system and utilize key controls and/or infrared-activated door mechanisms at access points. This is expected to be completed by end of Summer 2018.
- As of December 6, 2017, the Arthur M. Sackler Study Collection is now tracked in the database. Previously, it was tracked in Excel.

Northern Arizona University  
Art Museum and Galleries  
Audit Report

The control standards we considered during this audit and the status of the related control environment are provided in the following table.

| General Control Standard<br>(The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.) | Control Environment/<br>Assessment | Rec No. | Page No. |
|---|------------------------------------|---------|----------|
| <b>Reliability and Integrity of Financial and Operational Information:</b>  |                                    |         |          |
| • Inventory files are complete and accurate to prove ownership and value of the art piece   |                                    | 2       | 4        |
| • Inventory is performed periodically   |                                    | 2       | 4        |
| • The database is complete and accurate   |                                    | 2       | 4        |
| • Inventory gifted or purchased is appraised  |                                    |         |          |
| • NAU Management reviews and verifies revenues and expenses   |                                    |         |          |
| <b>Safeguarding of Assets:</b>  |                                    |         |          |
| • The art collection is tagged and inventoried according to NAU policy  |                                    |         |          |
| • The art collection is adequately protected  |                                    |         |          |
| • The art collection is adequately insured  |                                    |         |          |
| <b>Effectiveness and Efficiency of Operations:</b>  |                                    |         |          |
| • Policies and procedures exist for the Museum  |                                    | 1       | 4        |
| • Policies and procedures exist for gifts of artwork from the NAU Foundation  |                                    |         |          |
| • Systems, processes and procedures are used to efficiently and effectively manage art collection inventory   |                                    | 1, 2    | 4        |
| • Inventory is stored in an organized manner  |                                    |         |          |
| • Number of visitors is tracked   |                                    |         |          |
| <b>Compliance with Laws and Regulations:</b>  |                                    |         |          |
| • The Museum complies with ABOR and NAU policies  |                                    |         |          |

| Legend:                                 |  |
|---|--|
| Reasonably Strong Controls In Place     |  |
| Opportunity for Improvement             |  |
| Significant Opportunity for Improvement |  |

We appreciate the assistance provided by the staff of the NAU Art Museum, College of Arts and Letters and the Office of the Provost.

  
 Karletta Jones, CPA, CIA  
 Senior Internal Auditor  
 Northern Arizona University  
 (928) 523-4136  
[karletta.jones@nau.edu](mailto:karletta.jones@nau.edu)

  
 Mark Ruppert, CPA, CIA, CISA  
 Chief Audit Executive  
 Northern Arizona University  
 (928) 523-6438  
[mark.ruppert@nau.edu](mailto:mark.ruppert@nau.edu)

## Audit Results, Recommendations and Responses

### 1. A written loan agreement between the NAU Art Museum and departments to which the art is loaned could help to ensure proper care and maintenance of loaned items.

**Condition:** A written loan agreement did not exist for loaned artwork to a department.

**Criteria:** The Museum's Campus Loans policy states: "The Museum and borrowing department will execute a written loan agreement for a duration not to exceed two years. The loan may be renewed at the discretion of the Director."

**Cause:** A loan agreement policy has been drafted but not yet finalized.

**Effect:** There are no outlined expectations of the security and care communicated to the borrowing department as the Museum is ultimately charged for managing its permanent art collection according to the highest possible standards of stewardship and care.

**Recommendation:** A written loan agreement should exist between the NAU Art Museum and any department that borrows Museum artwork that outlines the terms and expectations of the loaned artwork including its care, display, maintenance and ultimate return to the museum.

**Response:** The NAU Art Museum agrees with the recommendation that a standard loan agreement should exist for on-campus or internal loans. A loan agreement for on-campus/internal loans must be negotiated with Contracting and Purchasing Services, and for this reason, it is not possible to fix a date upon which such a document will have been completed. The museum will target completion of this task by end of the fiscal year, June 30, 2018.

### 2. Performing a periodic physical inventory will help to ensure accountability of the Museum's collection and accuracy of related records.

**Condition:**

- The database used to manage and track inventory did not have the correct locations for loaned artwork to the President's Office and the College of Arts and Letters Dean's office.
- Several items listed in the database are presumed missing, lost or stored/loaned in an unknown location detailed as follows:
  - Two 2D inventory items were listed as missing per the database
  - Twelve Weiss Collection inventory items were listed as missing per the database
  - Four loaned artwork inventory items were presumed missing or lost.
- Based on a sample of loaned artwork, the database included four inventory items that do not belong to the Museum.
- The database was incomplete as several records did not include the artist's name, but included the acquisition method, date of completion, date of acquisition, current location and comments.
- Current NAU Museum management cannot confirm the true ownership of one of their pottery collections.

Northern Arizona University  
Art Museum and Galleries  
Audit Report

**Criteria:** The Museum's Collections Management Policy regarding Inventories of Collections states: "The Museum Specialist Senior will ensure that periodic physical inventories are conducted to establish that recorded collection items are actually accounted for and to verify location records."

The American Alliance of Museums' Collections Stewardship Standards require that a system of documentation, records management and inventory be in effect to describe each object and its date of acquisition (permanent or temporary), current condition, location and movement into, out of and within the museum.

Sound business practices suggest that only assets truly owned by the organization should be claimed as such. As part of the American Alliance of Museums' Collections Stewardship standard, the Museum legally, ethically and effectively manages, documents, cares for and uses the collections.

**Cause:** The Museum's Collections Management policy has not been finalized and although physical inventories are performed each year among select categories in the Museum's collections to clean up records inherited from past management, a baseline physical inventory has not been performed that compares the database to the physical objects in the Museum's entire collection due to limited resources.

**Effect:** There is no assurance that the database is accurate and complete. Items are not always accurately accounted for in the database as a consequence of certain objects having been presumed missing, lost or stored/loaned in an unknown location. Insurance premiums for coverage of the art collection may be calculated on items that are not in the Museum's possession. Legally, lack of documented ownership could prove problematic for NAU should they ever decide on deaccession. From a reputation perspective, the lack of ownership confirmation could prove negative for NAU. Finally, as the Museum indicated a desire for accreditation, accreditation remains in jeopardy until the Museum inventory is properly accounted.

**Recommendation:** A complete physical inventory should be performed, preferably by an outside party with museum experience, to establish a baseline inventory – this inventory should be witnessed by Museum staff and Internal Audit would be happy to also provide inventory validation. Once a baseline is established, a periodic inventory approach should be adopted and implemented by Museum staff. The database used to track inventory should include all objects housed at the NAU Art Museum. Management should identify items that are presumed missing, lost or unknown by touring campus buildings in search of these items. Further, the value reported to the Arizona Department of Administration Risk Management Division should exclude items not in the possession of the Museum (i.e. missing, lost or unknown). Management should work with General Counsel to pursue ownership confirmation, document that confirmation and if not NAU property, determine the best approach for deaccession of the pottery collection.

**Response:** The NAU Art Museum concurs with this recommendation and respectfully suggests that the proposed baseline inventory should take place at the earliest opportunity following the purchase of and training in the PastPerfect software. In the interim, museum staff are uncovering new information based in the paper files that will help inform the baseline inventory. Although the recommendation is to employ an outside auditor, the costs of such a hire are prohibitive for our

Northern Arizona University  
Art Museum and Galleries  
Audit Report

budget and we trust we have the expertise to perform a comprehensive and accurate inventory. We expect to have this process completed by September, 2018.

EXHIBIT A – Collection Details

| <b>Category</b>              | <b>Quantity</b> | <b>%</b>    |
|------------------------------|-----------------|-------------|
| Sackler Study Collection     | 202             | 13%         |
| 2D Artwork                   | 811             | 52%         |
| 3D Artwork                   | 270             | 17%         |
| Hash Ethnographic Collection | 34              | 2%          |
| Clay Stomp Objects           | 48              | 3%          |
| Weiss Gallery                | 196             | 13%         |
| <b>Total</b>                 | <b>1,561</b>    | <b>100%</b> |

The Museum provides dedicated space for the Arthur M. Sackler Foundation Study Collection and the Weiss Gallery.

- The Arthur M. Sackler Foundation Study Collection represents a teaching resource for students and faculty at Northern Arizona University. The Study Collection comprises over two hundred objects in a variety of media including jewelry, ceramics, buckles, brooches and metalwork.
- The Marguerite Hettel Weiss Collection houses a display of art and furniture from the estate of the late Marguerite Hettel Weiss, educator and collector of fine art. This eclectic collection contains numerous art objects from around the world. The collection includes furniture, sculptures, oils, watercolors, china and silver.

The remaining objects housed throughout the Museum, include:

- 2D artwork comprises stretched canvas, paintings on canvas panels, works on paper and prints.
- 3D artwork is mostly composed of ceramic sculptures.
- The Hash Ethnographic Collection is composed of Navajo rugs, Hopi baskets and Hopi Kachina dolls. In 2009, the Hash Ethnographic Collection was transferred from the Cline Library's Special Collection to the Museum.
- The Clay Stomp Objects.

Northern Arizona University  
Art Museum and Galleries  
Audit Report

EXHIBIT B – Museum Activities

The Museum strives to exhibit challenging contemporary art and continue the tradition of bringing powerful visual expression to the NAU Campus and the northern Arizona community. As part of the yearly exhibition season, the Museum offers an Art Outreach Program (the Program) to the public and private schools of Northern and Central Arizona. Designed to increase receptivity for students, the Program offers in-service training to teachers who are planning field trips to the Museum with their students and would like background information on the artists, themes and methods on exhibit. During fiscal year 2017 and 2016, the Museum showcased five and four exhibits, respectively.

Although the Museum is concerned with art of all periods and areas, it places special emphasis on acquiring, through gift or purchase, contemporary painting, prints and sculpture of Europe and/or the Americas. Gift in Kind forms are obtained by the NAU Foundation to support works of art donated to the Museum; while a bill of sale supports works of art purchased by the Museum. Each document will describe the artwork, specify the value and convey title, ownership and copyrights whenever possible to the Museum. The value is determined by the donor and/or the seller of the artwork via donor estimate, independent appraisal or other basis of valuation. The Museum has an endowment with the NAU Foundation to purchase artwork. During fiscal years 2017 and 2016, the Museum made purchases of \$3,120 and \$2,029 for works of art and equipment, respectively.

The Museum considers its collections permanent and does not take lightly the deaccessioning of any object in its collection. The Museum recognizes its obligation to retain in its collection objects that may be unpopular, obscure or even qualitatively inferior, but which meet purposes of study among students, scholars and curators. Therefore, the disposition of objects is infrequent and carefully considered. No artwork was deaccessioned during fiscal years 2017 and 2016.