

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

A68



FROM: County Auditor-Controller

SUBMITTAL DATE:
June 24, 2008

SUBJECT: Internal Auditor's Report # 2008-006 – Economic Development Agency-Edward Dean Museum and Gardens (EDMG)

RECOMMENDED MOTION: Receive and file Internal Auditor's Report # 2008-006 – Economic Development Agency-Edward Dean Museum and Gardens (EDMG).

BACKGROUND: The Auditor-Controller completed an audit of the Riverside County Economic Development Agency (EDA)-Edward Dean Museum and Gardens (EDMG or Museum). Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the EDMG processes, operational effectiveness and the actions taken in response to the 2001 Grand Jury report.

Departmental Concurrence

Based upon the results of our audit, we determined the department has adequate internal controls in place over the processing of special events and museum accreditation. However, areas for improvement were noted relating to the safeguarding and insuring of museum artifacts. Additionally, existing maintenance and improvements are needed to enhance the EDMG grounds and thereby increase the revenue producing potential.

Management concurred to the audit report findings and indicated corrective action will be taken. We will follow-up within one year to verify that management took corrective action.

Robert E. Byrd

Robert E. Byrd
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

RECEIVE AND FILE

BY: *Rob Rockwell*
Rob Rockwell

County Executive Office Signature

- Dep't Recomm.: Policy
- Per Exec. Ofc.: Consent
- Policy
- Consent

Prev. Agn. Ref.: | **District:** | **Agenda Number:**

2.7



County of Riverside

INTERNAL AUDITOR'S REPORT

Economic Development Agency- Edward Dean Museum and Gardens (EDMG)

June 24, 2008

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

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P.O. Box 1326
Riverside, CA 92502-1326



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COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, CPA
ASSISTANT
AUDITOR-CONTROLLER

June 24, 2008

Ms. Robin Zimpfer, Assistant County Executive Officer/EDA Director
Economic Development Agency
P.O. Box 1180
Riverside, CA 92502

Subject: Internal Auditor's Report # 2008-006 – Economic Development Agency-Edward Dean Museum and Gardens (EDMG)

Dear Ms. Zimpfer:

We have completed an audit of the Economic Development Agency (EDA)-Edward Dean Museum and Gardens (EDMG or Museum). We conducted the audit during the period October 3, 2007 through May 14, 2008, for operations of January 1, 2007 through April 30, 2008.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the EDMG processes, operational effectiveness and the actions taken in response to the 2001 Grand Jury report.

EDMG was founded in 1958 by Edward Eberle and Dean Stout. In an agreement dated August 28, 1964 the museum and property was transferred to the custody of Riverside County. The agreement contains 12 stipulations that the County must follow including adequate insurance, routine maintenance and continued operations. Section 10 of the agreement states the County must turn the museum and its contents over to the Huntington Library should the County fail to meet any of the stated requirements.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Based upon the results of our audit, we determined the department has adequate internal controls in place over the processing of special events and museum accreditation. However, areas for improvement were noted relating to the safeguarding and insuring of museum artifacts. Additionally, existing maintenance and improvements are needed to enhance the EDMG grounds and thereby increase the revenue producing potential.

It should be noted that although there were significant weaknesses in the internal controls relating to the security of museum property, EDMG management identified these weaknesses prior to our audit. EDMG management has consulted with a private security company and is currently taking steps to implement new security procedures which will mitigate some of the security weaknesses identified.

Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate level of management.

We thank the EDA management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller



By: Michael G. Alexander, MBA, CIA
Deputy Auditor-Controller

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

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Executive Summary

Overview

The Edward Dean Museum and Gardens (EDMG or Museum) is located on 16 acres in Cherry Valley. EDMG was founded in 1958 by Edward Eberle and Dean Stout. In an agreement dated August 28, 1964, the museum and property was transferred to the custody of Riverside County. Further, on July 1, 1999 EDA was charged with the daily operations of the museum and tasked with turning EDMG into a self-sufficient operation. The agreement contains 12 stipulations that the County must follow including adequate insurance, routine maintenance and continued operations. Section 10 of the agreement states the County must turn the museum and its contents over to the Huntington Library should the County fail to meet any of the stated requirements.

The 16 acre property contains the museum, a multipurpose room (Kay Cenicerros building) with kitchen facilities, a covered pavilion with kitchen facilities, a gazebo with adjacent lawn, a koi pond, an administration office, and a storage facility. A gift shop is located inside the museum. The museum contains 16th through early 19th Century Asian and European furnishings and decorative arts.

EDMG is open to the public Friday through Sunday and is also available for school or guided tours. Revenue is obtained through County contributions, museum admissions, facility rental fees and special grant programs. EDMG charges facility rental fees to host weddings and other special events. Two volunteer groups, Museum Docents and Friends of the Edward-Dean Museum (Friends) provide limited operational and financial support to the museum. EDMG revenues and expenditures for the past three fiscal years are illustrated in the chart below:

Year	Revenues	Expenditures	County Contribution
FY 04/05	\$64,510	\$214,746	\$150,236
FY 05/06	\$109,939	\$251,411	\$141,472
FY 06/07	\$106,632	\$304,461	\$197,829

Overall Objective

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the EDMG processes, operational effectiveness and the actions taken in response to the 2001 Grand Jury report.

Overall Conclusion

Based upon the results of our audit, we determined the department has adequate internal controls in place over the processing of special events and museum accreditation. However, areas for improvement were noted relating to the safeguarding and insuring of museum

artifacts. Additionally, existing maintenance and improvements are needed to enhance the EDMG grounds and thereby increase the revenue producing potential. As of April 30, 2008, EDMG management's preliminary estimate to accomplish the identified maintenance and improvements to the existing facilities ranges from \$411,000 to \$1.4 million.

It should be noted that although there were significant weaknesses in the internal controls relating to the security of museum property, EDMG management identified these weaknesses prior to our audit. EDMG management has consulted with a private security company and is currently taking steps to implement new security procedures which will mitigate some of the security weaknesses identified.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Objectives

Our detailed audit objectives were:

- to evaluate the existence and adequacy of internal controls relating to the museums' artifacts (both museum owned and loan/consignment items);
- to evaluate the existence and adequacy of internal controls over the museums' processing of special events;
- to determine if all special events revenue have been realized; and
- to determine the status of EDA's actions taken in response to the 2001 Grand Jury report.

Methodology

To accomplish our objectives, we:

- conducted interviews and performed walk-throughs with department personnel;
- conducted research on the Internet specific to EDMG and general background information and best practices relating to museums and other similar special event venues;
- identified and reviewed applicable policies and procedures, Board ordinances, laws, codes, and regulations (including the 1964 Transfer Agreement);
- reviewed the 1999 and 2001 Grand Jury reports including EDA's response and subsequent actions;
- identified, reviewed and determined compliance with applicable fire codes;
- identified and reviewed the American Association of Museums (AAM) accreditation requirements, grants available to museums (with and without the AAM accreditation) and EDA's current grant process;
- conducted operational reviews and observations;
- documented narratives of the department's special events, consignment, and handling of museum artifacts processes;
- performed a risk assessment of the museum's operations;
- observed the inventory and appraisal of museum artifacts conducted by Skinner Brothers Inc.;

- observed, documented and analyzed the current security system utilized to safeguard the museum artifacts (both museum owned and items on loan/consignment);
- identified and reviewed the museum's current requirements for insurance coverage;
- verified compliance with the 1964 Transfer Agreement; and
- performed limited testing of cash handling, expenditure and revenue transactions.

Results

Safeguarding of Museum Artifacts

The museum housed at EDMG contains the original artifacts, items added after the transfer and items on loan and/or consignment. Per the Auditor-Controller's Office (ACO) Standard Practice Manual 913 issued on December 12, 2005, museum and art collections are not required to be capitalized if they are held for public exhibition and protected or preserved. Per the 1964 Transfer Agreement, the museum and art collection meets the requirements identified in SPM 913. For museum and art collections not capitalized, a statement must be provided to the ACO by July 15 each year describing the collection for inclusion in the notes to the County's Comprehensive Annual Financial Report (CAFR). Although the museum artifacts are not required to be capitalized, the management staff of each department or agency within the County of Riverside is required to account for County property in his/her possession or charge. This responsibility should include performance of the annual inventory and establishment of controls over the acquiring, monitoring, and identification of museum artifacts. Additionally, per the ACO Standard Practice Manual 104 issued on March 25, 2002, all County departments shall establish, document and maintain an effective system of internal control in several areas including the safeguarding of assets.

Museum Owned Artifacts

The current listing of museum artifacts is comprised of an appraisal conducted in 1980 which valued the artifacts at \$2,656,646 and an appraisal of donated items valued at \$102,250 on December 11, 2003. The current listing is incomplete and does not provide a value, detailed description and picture of each artifact located in the museum.

The Friends contracted with Skinner Brothers Inc., to perform a complete appraisal/inventory. The appraisal took place on February 26th through 28th of 2008 and was observed by staff from the ACO. Skinner Brothers Inc. is one of the largest museum appraisers in the United States specializing in historical artifacts. As of May 14, 2008, EDMG has yet to receive the appraisal.

Some of the museum artifacts have been etched with a museum identification number while the majority of the collection has not. It is important for the museum to have an updated listing of museum artifacts which includes a detailed description, reference to the identification number and value so that the artifacts can be properly safeguarded.

Loan/Consignment Artifacts

Throughout the year, EDMG hosts three temporary exhibits which are displayed in the Rabe Gallery. Some of the items in the exhibits are museum owned; however, a vast majority of the current exhibit, Art of

the Empires, is on loan. The value of the Art of the Empires exhibit items on loan per the incoming loan agreements is \$2,211,455. The value of the exhibits in the Rabe Gallery fluctuates significantly throughout the year. Additionally, the Rabe Gallery contains 13 consignment items valued at \$476,400. There are also consignment items of a lesser value available in the museum gift shop.

The loan and consignment items are monitored by utilizing the incoming loan and consignment agreements. These agreements are kept in a binder which is stored in a locked cabinet.

Museum Security

EDMG currently contracts with a private company to provide a security system and on-going monitoring. The museum building has two video cameras, one motion detector and contacts on every window; however, there are not a sufficient number of cameras in place to cover the entire museum and therefore protect the museum artifacts. The museum is the only facility covered by the security system, the Kay and Administration buildings do not have security systems. The alarm system is only utilized during non-operating hours. Additionally, the video cameras are monitored by the EDMG employees intermittently throughout the day during museum operating hours only.

Existing deficiencies in the Rabe Gallery are associated with the way the items are placed on display. The items on display are placed in a wooden display case with a plexiglass cover. The plexiglass cover is held in place with small screws. The screws could easily be removed and/or the plexiglass broken. Although the video camera could potentially catch individuals that tamper with the display cases, the video streams are not routinely monitored throughout the day.

It should be noted that although there were significant weaknesses in the internal controls relating to the security of museum property, EDMG management identified these weaknesses prior to our audit. EDMG management has consulted with a private security company and is currently taking steps to implement new security systems which will mitigate some of the security weaknesses identified.

Finding 1

Controls are not adequate to ensure museum artifacts are properly safeguarded. Specifically:

- A current updated listing is not maintained to identify all museum artifacts including a detailed description, identification number and value for each item. Furthermore, the listing is not provided to the Auditor-Controller's Office for asset tracking purposes or disclosure information in the CAFR.

- An identification number has not been assigned and affixed to each museum artifact.

Museum artifacts should be identified and monitored. Failure to adequately safeguard museum artifacts increases the likelihood that artifacts may be lost or misappropriated. Additionally, the lack of an updated listing prevents EDA from submitting disclosure information to the ACO.

Recommendation 1.1 Create and maintain an accurate artifact listing that contains a detailed description, picture, reference to the identification number and value for each item.

Management's Reply Concur. The Edward-Dean Museum & Gardens (EDM) had identified the need for an updated artifact listing and appraisal prior to notification of the internal audit. Skinner, Incorporated's schedule was such that their first available date for the appraisal was February 26, 2008. Skinner, Incorporated supplied the completed artifact listing and appraisal on May 23, 2008, and the CD copy of the report is enclosed.

Detailed pictures of the artifacts will be completed in conjunction with the storage of the artifacts during the wall repair (see Recommendation 3.1 Comment). A CD copy of comprehensive room and artifact grouping pictures is enclosed.

Actual Date of Corrective Action: May 23, 2008

Cost to implement recommendation: Friends of the Edward-Dean Museum provided the funding in excess of \$35,000 to complete the appraisal.

Auditor's Comment A CD copy of the artifacts listing, appraisal and pictures was provided to the auditors on June 19, 2008.

Recommendation 1.2 Provide the listing to the ACO for asset management purposes and disclosure information to the CAFR.

Management's Reply Concur. A CD copy of the appraisal will be forwarded to the ACO on an annual basis prior to July 15th for CAFR disclosure purposes.

Estimated Date of Corrective Action: July 11, 2008

Recommendation 1.3 Assign and affix an identification number to each museum artifact.

Management's Reply Concur. Accession numbers for the purpose of museum artifact identification will be assigned and affixed as appropriate to the artifact

in conjunction with the storage of the artifacts during the wall repair (see Recommendation 3.1 Comment).

Estimated Date of Corrective Action: June 30, 2009

Results

Insurance

EDMG obtains insurance coverage through the County of Riverside's Self Insurance Program (SIP). The County's SIP is handled by the Riverside County Human Resources (HR) Department-Risk Management (RM) Division. The SIP is a system whereby the County sets aside money to provide for any losses that would ordinarily be covered under an insurance program.

The County property insurance is covered under the California State Association of Counties/Excess Insurance Authority (CSAC/EIA) and is often referred to as a Self Insured Retention (SIR). The SIR is a pool program consisting of other government agencies. Under the SIR, the County is responsible for the first \$10,000 of any loss. The real (buildings) and personal property (office furniture and business equipment) located at EDMG are covered under the SIR program. Specifically included in the SIR is fine arts coverage which provides for the owned and/or borrowed artifacts that are in the "care, custody and control" of EDMG. As of May 14, 2008, the EDMG is insured for a total of \$20,745,880 (real property of \$760,927 and personal property \$19,984,953). Section 8 of the August 28, 1964 Transfer Agreement requires the museum and its contents to be adequately insured at all times. The real property insurance value of \$760,927 was determined as a result of a property appraisal performed by the County's insurance broker, Alliant Insurance Services (AIS). AIS performs an appraisal every five years for all County property values over one million dollars. The personal property value is based upon the incomplete artifact listing referenced in the prior section. In a 2003 memo, Risk Management asked EDMG to provide an updated artifact listing as they were relying on the 1980 appraisal results. While the results of the current appraisal/inventory have not been submitted to EDMG, it is probable the artifacts will be valued at an amount less than \$19,984,953. If the appraisal/inventory results indicate a value greater than \$19,984,953, EDMG should work with Risk Management to ensure adequate insurance coverage has been obtained.

Finding 2

Controls are not adequate to ensure museum artifacts are properly insured. Specifically:

- A completed artifacts listing has not been provided to Risk Management since 2003.

Museum artifacts should be adequately insured at all times. Without an updated artifact listing, Risk Management will not be able to insure the artifacts at their full value. Failure to adequately insure museum

artifacts results in non-compliance with the August 28, 1964 Transfer Agreement and puts the County at risk of losing the EDMG.

Recommendation 2.1 Once the updated appraisal/inventory listing has been received, forward the list to Risk Management for insurance evaluation purposes.

Management's Reply Concur. EDM Management is scheduled to meet with RM prior to July 15, 2008. A CD copy of the appraisal will be provided to RM at that time for insurance evaluation purposes.

Estimated Date of Corrective Action: July 15, 2008

Recommendation 2.2 Provide an artifact listing to Risk Management on an annual basis for disclosure information.

Management's Reply Concur. EDM Management will forward any new artifacts accessioned into the EDM collection on an annual basis with the annual Liability Insurance Application. EDM Management recommends that an updated appraisal be completed on a 7 to 10 year basis.

Estimated Date of Corrective Action: August 10, 2008

Results

Maintenance & Improvements

Since EDA became responsible for the EDMG operations in 1999, several facility improvements have been made. Most notable are the: new monument entryway, renovations to the Kay Cenicerros building, and the completion of the Capital Improvements Plans (CIP). The CIP prepared by RHA Landscaping contains the specification for the development of the legacy gardens, water wise hedge maze, new parking, expansion of the Kay building and a wedding chapel. The completion of the CIP was of significant importance because it was identified as a finding in the 2001 Grand Jury Report. Further, several improvements made to the exterior were completed by inmate crews from the California Department of Forestry (CDF) and the County Sheriff Department, whereby, the only costs incurred were supplies. The labor was donated per an agreement with the Sheriff Department. As a result of utilizing the work crews, there have not been many planned projects rather projects have been accomplished by asking work crews if they could accomplish the projects based upon their time availability and skill set. Several of these improvements were made possible by the support of the Riverside County Board of Supervisors through the utilization of the Community Improvement Designation (CID) and other funds.

While EDA has taken significant strides to maintain and improve the grounds at EDMG, existing enhancements are still necessary. The department is aware of the existing enhancements and is currently trying to identify funding sources to be utilized for such enhancements. EDA contracted with Jeff Katz Architecture to conduct and prepare a comprehensive waterproofing and wall repair evaluation report. This report was completed on February 1, 2008 and indicates the museum has water, mold and asbestos damage that needs to be repaired. The total amount to complete such repairs is \$176,880. The water and mold damage is due to water leaks which illustrates EDMG has not performed proper routine preventative maintenance. Furthermore, EDMG management identified the following necessary enhancements: repair damaged walls, repair roof leaks, install a new HVAC system, security enhancements (previously mentioned in audit report), electrical repairs, updated computer systems, kitchen renovations at the Kay & Pavilion and miscellaneous repairs in the administration building. The total minimum dollar amount of the repair and maintenance enhancements per EDMG management is \$411,000. This amount includes the following repairs: wall, roof, electrical, HVAC system, security enhancements, and the updated computer systems. The kitchen renovations at the Kay & Pavilion are valued at \$1,000,000. While this is a relatively large amount of money to invest in EDMG, the enhancements will increase the revenue producing potential of the EDMG for special events which are discussed in the next section.

Finding 3

Routine maintenance and improvements have not been adequately performed in accordance with Section 9 of the August 28, 1964 Transfer Agreement which states the County should pay for the necessary maintenance and improvements to the property. In the event the County can not maintain the property in accordance with the agreement, Section 10 states that the real and personal property shall be transferred to the Huntington Library.

Failure to adequately maintain the EDMG results in non-compliance with the August 28, 1964 Transfer Agreement and puts the County at risk of losing the EDMG.

Recommendation 3.1 Perform the necessary maintenance and improvements currently identified in this report.

Management's Reply Concur. See below:

- i. Computer Systems: Updated computer systems will be installed at the beginning of Fiscal Year 2008/2009.

Estimated Date of Corrective Action: September 30, 2008

Estimated Cost to implement recommendation: under \$5,000

- ii. Security System: The security system assessment has been completed and received during the course of the internal audit. An updated system and equipment are planned to be installed during Fiscal Year 2008/2009.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2008 - June 30, 2009

Estimated Cost to implement recommendation: \$6,000

- iii. Walls, HVAC System, Electrical System: Sufficient funding has been identified to begin repairs to the damaged walls, the HVAC system, and the electrical system beginning in Fiscal Year 2008/2009, and repairs are expected to be completed in Fiscal Year 2009/2010.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2008 - June 30, 2010

Estimated Cost to implement recommendation: \$400,000

- iv. **Kay Kitchen:** Kitchen renovations for the Kay Building will begin once sufficient funds have been raised at the Annual Autumn Galas during Fiscal Years 2008/2009 through Fiscal Year 2010/2011.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2010 - June 30, 2011

Estimated Cost to implement recommendation: \$500,000

- v. **Pavilion Kitchen:** Funding for kitchen renovations to the Pavilion is currently being researched through availability and awarding of grants, and/or fund raising, in future fiscal years.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2011 - June 30, 2012

Estimated Cost to implement recommendation: \$500,000

Recommendation 3.2 Prepare an ongoing assessment of EDMG to ensure all maintenance and improvements have been properly identified and addressed in a timely manner.

Management's Reply Concur. A maintenance schedule has been implemented to ensure monthly, quarterly, and seasonal repairs are performed.

Roof repairs have been identified as an ongoing maintenance requirement for the Kay building. A maintenance schedule has been implemented to ensure rain gutters are cleaned on a monthly basis.

Estimated Date of Corrective Action: June 30, 2008

Results

Special Events

The EDMG grounds are currently utilized to host special events such as weddings, meetings, etc. During the period of January 1, 2007 through December 31, 2007, EDMG hosted 28 special events which generated \$40,825. EDMG charges \$2,500 rental fee for events held on Saturday and \$1,750 for events held on Fridays, Sundays or hosted by a governmental entity. This rate includes a refundable cleaning fee of \$250. Examples of additional fees that can be assessed are: \$150 for the setup of EDMG owned tables and chairs or \$850 for a wedding coordinator (EDMG Assistant Director). The special events can be held at the Kay building, Pavilion courtyard, the koi pond, gazebo (and adjacent lawn) or the legacy lawn and gardens. The museum and its contents are not available as a venue option.

The current rental fees were established by Board approval on November 30, 2005 after a comparison was conducted of ten similar venues. Part of the audit fieldwork was to evaluate whether the current rates were reasonable relative to the same ten venues assessed before. Our review determined EDMG rates are reasonable; however, if the maintenance & improvements noted in the prior section are completed the revenue producing potential for special events will increase as more patrons will be attracted to EDMG. EDMG management has initiated a marketing campaign to enhance the public awareness. The marketing campaign is comprised of a billboard on interstate 10, ads placed in bridal magazines, hosting bridal fairs and the distribution of EDMG flyers. The significant efforts demonstrated by EDA/EDMG personnel to attract additional patrons results in a logical continuation of enhancement efforts.

EDMG management has implemented internal controls over the processing of special events including a special events binder for each event. The binder is utilized to monitor deposits received, proof of insurance, vendor licenses, etc. Our audit determined the binders are a sufficient tool utilized to track special events. Insignificant discrepancies noted during the audit were discussed with appropriate EDA staff.

Results

Museum Accreditation

Finding 7 of the 2001 Grand Jury Report identified the museum lost its American Associations of Museums (AAM) accreditation in 1997 due to non-compliance with reporting and operational requirements. We reviewed the museum's current status to determine if non-compliance still exists. Based upon our review, we determined the museum has met some of the AAM requirements such as operating at least 1,000 hours annually, employing at least one paid professional staff with museum knowledge and employing a full-time director to whom authority is delegated for day-to-day operations. However, we also identified several areas of non-compliance with the requirements such as having a formally stated & approved mission which is clearly communicated to all pertinent parties and having the financial resources sufficient to operate effectively. Although non-compliance still exists, we do not believe the AAM accreditation is necessary based upon the current EDMG operating goals.

Further research was conducted to determine the negative impact associated with the lack of AAM accreditation. We determined that a current EDA employee has been working to research and obtain museum grants since March 2007 although this is not the employee's primary job duties. As of May 14, 2008, the museum has submitted five grant proposals: two were denied, two are pending and one was awarded. EDMG has obtained a California Arts Council (Artists in Schools) grant for \$2,500 awarded on June 14, 2007. We verified the denials were not due to a lack of AAM accreditation.

Although we have no means to determine the number of grants available during the review period, there are numerous online sites available to research current grants. One such site lists several categories of grants available to the museum, such as: arts, community development, humanities, etc. We did not locate any sites which excluded museums without AAM accreditation. Therefore, a lack of AAM accreditation would not preclude the museum from applying for grants.



RIVERSIDE COUNTY
Economic Development Agency

08 JUN 19 11 2:06

DATE: June 17, 2008
TO: Auditor-Controller
Audits and Specialized Accounting Division
FROM: Deanna Lorson, Managing Director
Economic Development Agency *DL*

SUBJECT: Reply to Draft Audit Report

Listed below, please find our reply to your Draft Audit Report dated May 21, 2008.

Recommendation Number 1.1: Create and maintain an accurate artifact listing that contains a detailed description, picture, reference to the identification number and value for each item.

a) Management position concerning the recommendation:

Concur

b) Comments: The Edward-Dean Museum & Gardens (EDM) had identified the need for an updated artifact listing and appraisal prior to notification of the internal audit. Skinner, Incorporated's schedule was such that their first available date for the appraisal was February 26, 2008. Skinner, Incorporated supplied the completed artifact listing and appraisal on May 23, 2008, and the CD copy of the report is enclosed.

Detailed pictures of the artifacts will be completed in conjunction with the storage of the artifacts during the wall repair (see Recommendation 3.1 Comment). A CD copy of comprehensive room and artifact grouping pictures is enclosed.

c) Actual Date of Corrective Action: May 23, 2008

d) Cost to implement recommendation: Friends of the Edward-Dean Museum provided the funding in excess of \$35,000 to complete the appraisal.

ECONOMIC DEVELOPMENT/MARKETING • REDEVELOPMENT • HOUSING • WORKFORCE DEVELOPMENT • HOUSING AUTHORITY • AVIATION • RIVERSIDE COUNTY FAIR & NATIONAL DATE FESTIVAL • EDWARD-DEAN MUSEUM & GARDENS • COMMUNITY SERVICES

1325 SPRUCE STREET, SUITE 400 • RIVERSIDE CALIFORNIA 92507
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Recommendation Number 1.2: Provide the listing to the ACO for asset management purposes and disclosure information to the CAFR.

a) **Management position concerning the recommendation:**

Concur

b) **Comments:** A CD copy of the appraisal will be forwarded to the ACO on an annual basis prior to July 15th for CAFR disclosure purposes.

c) **Actual Date of Corrective Action:** July 11, 2008

Recommendation Number 1.3: Assign and affix an identification number to each museum artifact.

a) **Management position concerning the recommendation:**

Concur

b) **Comments:** Accession numbers for the purpose of museum artifact identification will be assigned and affixed as appropriate to the artifact in conjunction with the storage of the artifacts during the wall repair (see Recommendation 3.1 Comment).

c) **Actual Date of Corrective Action:** June 30, 2009

Recommendation Number 2.1: Once the updated appraisal/inventory listing has been received, forward the list to RM for insurance evaluation purposes.

a) **Management position concerning the recommendation:**

Concur

b) **Comments:** EDM Management is scheduled to meet with RM prior to July 15, 2008. A CD copy of the appraisal will be provided to RM at that time for insurance evaluation purposes.

c) **Actual Date of Corrective Action:** July 15, 2008

Recommendation Number 2.2: Provide an artifact listing to RM on an annual basis for disclosure in formation.

a) **Management position concerning the recommendation:**

Concur

b) **Comments:** EDM Management will forward any new artifacts accessioned into the EDM collection on an annual basis with the annual Liability Insurance Application. EDM Management recommends that an updated appraisal be completed on a 7 to 10 year basis.

c) **Actual Date of Corrective Action:** August 10, 2008

Recommendation Number 3.1: Perform the necessary maintenance and improvements currently identified in this report.

a) **Management position concerning the recommendation:**

Concur

b) **Comments:** See below:

i. **Computer Systems:** Updated computer systems will be installed at the beginning of Fiscal Year 2008/2009.

Estimated Date of Corrective Action: September 30, 2008

Estimated Cost to implement recommendation: under \$5,000

ii. **Security System:** The security system assessment has been completed and received during the course of the internal audit. An updated system and equipment are planned to be installed during Fiscal Year 2008/2009.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2008 - June 30, 2009

Estimated Cost to implement recommendation: \$6,000

iii. **Walls, HVAC System, Electrical System:** Sufficient funding has been identified to begin repairs to the damaged walls, the HVAC system, and the

electrical system beginning in Fiscal Year 2008/2009, and repairs are expected to be completed in Fiscal Year 2009/2010.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2008 - June 30, 2010

Estimated Cost to implement recommendation: \$400,000

- iv. **Kay Kitchen:** Kitchen renovations for the Kay Building will begin once sufficient funds have been raised at the Annual Autumn Galas during Fiscal Years 2008/2009 through Fiscal Year 2010/2011.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2010 - June 30, 2011

Estimated Cost to implement recommendation: \$500,000

- v. **Pavilion Kitchen:** Funding for kitchen renovations to the Pavilion is currently being researched through availability and awarding of grants, and/or fund raising, in future fiscal years.

Estimated Project Beginning and Ending Date of Corrective Action: July 1, 2011 - June 30, 2012

Estimated Cost to implement recommendation: \$500,000

Recommendation Number 3.2: Prepare an ongoing assessment of EDMG to ensure all maintenance and improvements have been properly identified and addressed in a timely manner.

- a) **Management position concerning the recommendation:**

Concur

- b) **Comments:** A maintenance schedule has been implemented to ensure monthly, quarterly, and seasonal repairs are performed.

Roof repairs have been identified as an ongoing maintenance requirement for the Kay building. A maintenance schedule has been implemented to ensure rain gutters are cleaned on a monthly basis.

- c) **Actual Date of Corrective Action:** June 30, 2008