



# AUDIT AND ADVISORY SERVICES

UC Berkeley Art Museum and  
Pacific Film Archive  
Audit  
Project No. 19-733

September 23, 2019

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September 23, 2019

Lawrence Rinder  
Director  
UC Berkeley Art Museum and Pacific Film Archive

Director Rinder:

We have completed our audit of the UC Berkeley Art Museum and Pacific Film Archive (BAMPFA) as per our annual service plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

Our observations with management action plans are presented in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of BAMPFA for their cooperative efforts throughout the audit process. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Jaime Jue  
Director

cc: Chancellor Carol T. Christ  
Associate Chancellor Khira Griscavage  
Interim Controller Elizabeth Chavez  
Senior Vice President and Chief Compliance and Audit Officer Alexander Bustamante

**University of California, Berkeley**  
**Audit and Advisory Services**  
**UC Berkeley Art Museum and Pacific Film Archive**

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# OVERVIEW

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## Executive Summary

The purpose of the audit was to assess the UC Berkeley Art Museum and Pacific Film Archive's (BAMPFA) system of controls to ensure that sound business practices are in place to support operational effectiveness. The audit scope included key business risks and administrative processes related to strategic planning, financial planning and management, ticketing, cash handling, vendor and contract management, philanthropy and donor stewardship, event planning and management, facilities management, collection management, loss prevention, and risk management.

Based on the results of the audit work performed, we observed the following areas for opportunities to strengthen controls and improve operational effectiveness.

**Board Governance and Oversight** – As a better practice, consider formalizing a financial expert role on the Board of Trustees as well as joint development of meeting agendas between the Board and management.

**Combined Executive Role for Administration and Artistic Direction** – As the museum continues to grow and become more complex both strategically and operationally, consider the continued ongoing effectiveness of combining the roles of chief curator and administrative director, which were combined as a temporary measure, to allow for each position to focus full-time on their intertwined visions but separate priorities.

**Strategic and Financial Planning** – Consider methods to streamline departmental strategic and operational planning processes that allow for insightful summarization at the museum level. Ensure that financial planning is thorough, precise, and realistic.

**Optimization of Exhibits** – Improve methods to forecast exhibit-level contributions and cost recovery as well as optimize the capture of patron preferences. Use this information to inform the nature and types of exhibits, mix of exhibits, and length of time exhibits are displayed.

**Revenue Model** – Conduct periodic analyses of the ongoing feasibility of assumptions underlying the revenue model and consider benchmarking the revenue model with peer organizations.

**Collection Management – Inventory, Disposal, and Monitoring** - Improve certain processes related to routine collection monitoring, including art in storage, and items not considered part of the collection; perform periodic reconciliation between the campus fixed asset system and BAMPFA's Collection Space system; and improve process documentation related to item deaccessioning and disposal.

**General Museum Operations** – Increase segregation of duties and improve process documentation in Visitor Services.

## **Source and Purpose of the Audit**

The purpose of the audit was to assess the departmental system of controls to ensure sound business practices are in place to support operational effectiveness.

## **Scope of the Audit**

The audit scope included administrative processes and key business risks related to strategic planning, financial planning and management, ticketing, cash handling, vendor and contract management, philanthropy and donor stewardship, event planning and management, facilities management, collection management, loss prevention, and risk management.

## **Background Information**

The UC Berkeley Art Museum and Pacific Film Archive (BAMPFA) is considered to be an encyclopedic museum, combining different cultures, time periods, and art mediums. The mission of BAMPFA is “to inspire the imagination and ignite critical dialogue through art and film”. Each year, BAMPFA presents more than 20 art exhibitions, 450 film programs, and dozens of performances, as well as lectures, symposia, and tours. In addition to a range of exhibition galleries, BAMPFA visitors have access to two film theaters (with 232 and 33 seats, respectively), a performance forum, café, four study centers for art and film, a reading room, an art-making lab, and various creatively designed gathering areas. On January 31, 2016, the museum opened at its current location adjacent to the campus at Center Street and Oxford Street. The new facility is deco style and itself is an expression of art.

The BAMPFA “collection” is valued at approximately \$300 million. About 10% of the collection is displayed during the course of a year, with the remaining art and films on loan from other collections and museums. When not in use, the collection and the art on loan are stored at various storage facilities in the local area which are controlled for security and environment. Paper art and documents are stored on site at the museum. The fair value of BAMPFA’s endowments at June 30, 2018 totaled \$65 million. BAMPFA’s net operating results for FY2018 were (\$1.235 million) compared to budgeted net operating results of \$151 thousand.

## **Summary Conclusion**

Based on the results of the audit work performed, we observed the following opportunities to strengthen controls and improve operational effectiveness.

**Board Governance and Oversight** – As a better practice, consider formalizing a financial expert role on the Board of Trustees as well as the joint development of meeting agendas between the Board and management.

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**Optimization of Exhibits** – Improve methods to forecast exhibit-level contributions and cost recovery as well as optimize the capture of patron preferences. Use this information to inform the nature and types of exhibits, mix of exhibits, and length of time exhibits are displayed.

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**Collection Management – Inventory, Disposal, and Monitoring** - Improve certain processes related to routine collection monitoring, including art in storage, and items not considered part of the collection; perform periodic reconciliation between the campus fixed asset system and BAMPFA’s Collection Space system; and improve process documentation related to item deaccessioning and disposal.

**General Museum Operations** – Increase controls and segregation of duties and improve process documentation in Visitor Services.

Management has provided action plans that we believe, if implemented, will materially address the items identified in our audit.

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## **SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN**

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### **Governance – Role of the Board of Trustees**

BAMPFA maintains a Board of Trustees which is primarily philanthropic in nature and does not carry explicitly stated fiduciary responsibilities. Approximately one-third of the Board are ex officio members. The Board of Trustees By-Laws do not require at least one of the Board members to have a specific financial background that would be relevant to the management or oversight of comparable arts or non-profit organizations. As a better governance practice, the Board should consider such a requirement in order to improve the board's ability to provide independent perspective and advice to the executive director and museum management, as well as to serve in an oversight capacity over financial operations and the use of university and donor resources.

We also noted that the agenda for the board meetings is normally set by management. As a better practice in non-profit governance and to promote the independence of the Board, the Board should be responsible to set and publish the board meeting agenda jointly with management. This ensures that topics of relevance and interest to the board are adequately addressed at the Board meetings in a timely manner and that the full spectrum of topics are available for discussion.

### **Management Response and Action Plan**

BAMPFA will ask the Board to consider amending its By-Laws to require that at least one (or more) trustees have executive-level financial operating experience. In addition, BAMPFA will consider having the Board president send out the board meeting agendas. Target Date: December 31, 2019

### **Combined Executive Role for Administration and Artistic Direction**

The key roles of the BAMPFA administrative director and the chief curator are currently filled by a single individual. We understand that this was originally a temporary measure, with the intent being to again separate the two positions at a later point in time. As the museum continues to grow and become more complex both strategically and operationally, campus leadership and the museum's Board may wish to periodically re-evaluate the continued ongoing effectiveness of the combined role to potentially improve artistic and operational focus and organizational checks and balances.

Each role is distinct, requiring specific skills and focus, and some organizations benefit from having separate employees dedicated to each role. The same employee fulfilling both positions, while cost-effective, potentially impacts that employee being able to fully address the responsibilities of each role. In addition, separating the two positions would enhance segregation of duties to afford the check and healthy balance that two distinct employees could provide to the organization.

## **Management Response and Action Plan**

BAMPFA will ask that the Board of Trustees, in executive session with the Chancellor, to determine whether to continue with the current combined role. Note that the position of chief curator is an unfunded position that would add significantly to the annual operating budget. Target Date: December 31, 2019

### **Strategic, Operational, and Financial Planning**

BAMPFA employs a five-year strategic plan to guide its operations. Although there are only five strategic goals, each goal has multiple strategies and each strategy has multiple tactics. We found that the status of the strategic plan for the BAMPFA organization as a whole is not routinely summarized and reported.

Each department mirrors the strategic plan in its individual annual operating plan (AOP) and develops its own tactics, which serve as the basis of that department director's personal performance review. We noted that the size of a department operating plan is generally lengthy, from nine to fourteen pages. While the sum of the department annual operating plans, as a whole, support the five-year BAMPFA strategic plan, an annual operating plan is not specifically prepared at the BAMPFA level, and progress towards accomplishing the annual operating plans is not consolidated and reported at the BAMPFA level.

The size of the BAMPFA strategic plan and the department annual operating plans can dilute and mask individual key actions, key deliverables, and the overall responsibility of teams and individual contributors, making it difficult to assess and monitor current status against plans at a summary level. Without adequate consolidation, monitoring of the overall BAMPFA operations is hindered.

In addition, the strategic plan and department operating plans are not consistently specific as related to realistic financial goals, assumptions, and projections. While BAMPFA's budget projects annual revenues and expenses, it does not perform more robust, scenario-based projections and analyses based upon different operational and financial assumptions. Such items can result in more precise and structured updates to projections during the fiscal year.

## **Management Response and Action Plan**

The director will work with the Chancellor and Board to develop a more formal institutional summary and to identify what type of review process should ensue. In addition, it is time to develop a new five-year scenario-based financial model and to consider new strategic financial goals. BAMPFA will undertake this work in the current fiscal year. On a shorter-term basis, BAMPFA will strengthen our financial processes by improving the clarity, transparency, and timeliness of our existing financial reports. We will also establish review mechanisms that allow us to reallocate resources and take corrective actions as needed. Spending will be monitored on a regular basis and adjustments made as we go through the year, not only at the six-month review. Our Business Services Office will work closely with our Development team to monitor income relative to expenses. In addition, further functionalities are currently being reviewed, including new campus projection tools such as PI Portfolio and CalPlanning that will provide more analytical capabilities and information for a quarterly dashboard. Target Date: June 30, 2020



## **Optimization of Exhibits**

Exhibits are initiated primarily based on a curator's vision consistent with BAMPFA's mission to "inspire the imagination, ignite critical dialogue, and activate community engagement through art, film, and other forms of creative expression". The type, mix, and utilization of films and art exhibitions come together to create an environment intended to fulfill the museum's mission. As the museum is an educational entity, it strives to educate the public by introducing them to new artists, art innovations, and perspectives on art. However, this must be done within the overall framework of maintaining long-term financial sustainability.

BAMPFA does not currently capture and report the full information needed to determine each exhibit's realized cost recovery rate (ratio of revenue to cost). This information normally includes revenue from donors in support of the specific exhibit, revenue from patron attendance and activities directly allocable to the exhibit, and other costs directly associated with each exhibit. In addition, there are currently no established internal limits or guidelines on exhibition costs or cost recovery rates, except that curators are encouraged to consider the amount of donations received and pledged when curating an exhibit. Standards and guidelines would be useful to holistically evaluate individual and collective financial performance of the mix of exhibits in a particular year and to balance artistic and financial goals..

We acknowledge BAMPFA's concerns that allocation of patron attendance and ticket sales to an exhibit level can be imprecise as there may be many underlying reasons why a patron comes to the museum. However, experimentation to collect data, even if on a test basis, through potential modification of point-of-sale ticketing software, use of customer entrance or exit surveys, or sample counts of attendance by gallery area, would likely be helpful to understand visitor preferences as well as to inform future planning decisions regarding the nature and types of exhibits curated as well as the length of time they are displayed.

### **Management Response and Action Plan**

BAMPFA will develop methods of surveying audiences (especially students) to determine the types of exhibitions that they would find most relevant and timely. BAMPFA staff will engage the Board Development and/or Executive Committees in a discussion of cost-recovery budget models to determine whether this approach might be appropriate for BAMPFA to pursue. Target Date: June 30, 2020

### **Revenue Model**

BAMPFA's ongoing revenue model consists primarily of annual giving, general and restricted gifts and grants, memberships, admissions, museum store, endowments and student registration fees. These are all important revenue components and total approximately \$9 to \$11 million annually. While some revenue components have fluctuated over the past several years, total revenue has been gradually decreasing and has been increasingly less than budget forecasts. While BAMPFA is beginning to address this situation, additional control, focus, and creativity is warranted to improve revenue levels. BAMPFA may wish to consider the following:

- *Donor Follow-up.* Donors contribute to BAMPFA for a variety of reasons. At any time, a donor's personal situation can change and may result in a complete withdrawal or other modification of their donation pattern. Systematic and periodic follow-up with donors who are no longer actively donating has not been routinely performed. Consideration should be given to periodic follow up with all donors and organizations who are no longer actively donating to BAMPFA. Capturing and analyzing why donors are no longer actively giving could provide insight that may assist BAMPFA with its donation strategy going forward.
- *Analyses of BAMPFA's Revenue Model.* The American Association of Museum Directors makes available to its members an annual *Directors Report* which provides comparative information obtained from its member organizations. However, BAMPFA does not analyze and benchmark its revenue model to peer museums or other artistic organizations. Such analyses could identify how BAMPFA's revenue model differs from other museums and artistic organizations and may provide insight as to whether it can be improved. Possible changes may include emphasizing, adding or eliminating specific revenue sources and reassessing how much support from the campus is sustainable and reasonable, considering the direct and indirect benefits that BAMPFA brings to the campus. Without such information, it may be difficult for BAMPFA to identify where potential improvements to revenue can be made. To assist in this effort, BAMPFA may wish to consider engaging assistance from peer institutions or industry consulting experts.

### **Management Response and Action Plan**

BAMPFA's Membership staff regularly send renewal appeals to lapsed members at all levels, however, BAMPFA will consider developing a comprehensive survey of lapsed members who have not responded to appeals, in order to gather information concerning their reasons for not giving to BAMPFA. If significant patterns emerge that reflect issues that can be addressed, our staff will follow up as necessary. We will also request that University Development and Alumni Relations provide lists of lapsed major donors so that re-engagement action plans can be discussed. In addition, BAMPFA will:

- Refine our approach to membership through better data analysis, improved communications, and direct marketing.
- Seek out new revenue streams and continue to maximize ancillary operations.

BAMPFA will undertake a survey of similarly sized campus museums to assess our performance relative to revenue type and mix and will report the findings to the Board. Target Date: June 30, 2020

### **Collection Management – Inventory, Disposal, and Monitoring of Art**

BAMPFA is responsible for an art and film collection valued at roughly \$300 million. Responsibility includes purchasing art, receiving gifts of art from donors, cataloging, tracking, inventorying, and disposing of art, whether it is considered to be in the collection or not in the

collection. This requires significant attention by BAMPFA staff. We identified areas where controls should be strengthened to ensure that works of art are appropriately preserved.

- *Art Maintenance.* The National Standards and Best Practices for U.S. Museums by the American Alliance of Museums (formerly known as the American Association of Museums) cites as best practice that “an appropriate method for identifying needs and determining priorities for conservation care is in place”. In addition, BAMPFA *Collection Management Policy* (Section III Collection Care B. Conservation/ Preservation and Insurance) requires that “works of art and film are regularly monitored by staff for condition problems”. BAMPFA management asserts that staff are knowledgeable of how individual works of art should be maintained (non-acid paper, light levels and type of light, climate control, etc.), and that they may identify situations that warrant attention during the normal course of their work. However, the routine monitoring of the entire collection in this manner, particularly art in storage that is not regularly accessed, is not performed. There is risk that art in the collection may be damaged without detection, and the value of the collection may be negatively impacted. Without routine periodic monitoring of the entire collection, minor damage may worsen as time passes if the damage is not detected. BAMPFA should consider assigning the monitoring function so that the condition of the entire collection is preserved. This also applies to art not in the collection, including art on loan from others.
- *Art Not in the Collection.* Several hundred works of art of lesser value, which are not part of the collection, are located at the Carleton facility. Most do not appear in the Collection Space system, in the Berkeley Equipment Tracking System (BETS), or on any inventory list. It is unclear when these works of art were last inventoried. Even though they may not be considered part of the collection, they do hold value and their presence should be identified and tracked. There is risk that this art may be stolen or misplaced without a reliable means of detection. In addition, there may be instances when specific agreement was reached with the donor at the time of transfer to the museum which must be honored. Without an inventory of these art pieces, museum obligations cannot be determined. All art not considered part of the collection should be inventoried, recorded, and monitored going forward. Specific procedures related to tracking and monitoring art not in the collection should be developed and implemented.
- *Art Inventory Systems.* The Berkeley Equipment Tracking System (BETS) is the campus’ official inventory system and records and tracks all works of art over \$5,000 using an assigned property number. BETS has limited ability to carry detailed information about each item in the system. The Collection Space system is an inventory system used by museums on campus and contains detail information about each piece in the collection, however, it does not carry the BETS property number. It is considered by BAMPFA to be the museum’s official record. These two systems are not reconciled to each other. There is risk that one or both of the two systems are inaccurate in some manner and to a lesser extent, that the maintenance of art in the two systems, as well as in a separate hard copy file, becomes inefficient and time consuming. BAMPFA should consider periodically reconciling the Collection Space system to BETS, perhaps at the same time that a full inventory is taken.

- *Disposal of Art.* BAMPFA handles the deaccessioning and disposal of all art and film managed by BAMPFA. While there is policy, we found no specific written procedures. Practices involve BAMPFA obtaining approval for the disposal, getting bids from auction houses to handle disposals, adjusting inventory records, and handling funds received from the disposal. The lack of documented procedures can result in misunderstanding by those carrying out the policy or allow for potential misappropriation. Full procedures related to deaccessioning and disposal of all art and film both in the collection and not in the collection should be developed and adopted.

## **Management Response and Action Plan**

### *Art Maintenance*

BAMPFA Preparation Department will implement a walk-through and examination of all art storage areas, in particular the two off-site art collection storage facilities, on a regular quarterly schedule. Staff will pay special attention that all mechanical systems (including security and climate control) are properly functioning, that there are no leaks in the buildings or evidence of damage to the ceilings or pipes, and that there is no evidence of pests. Staff will also visually inspect a defined group of artworks on the screens and shelving in the storage facilities as part of the quarterly checks. Target Date: October 31, 2019

### *Art Not in The Collection*

The UC Dispersed Art Collection works (artwork that belongs to the university but is not part of BAMPFA's collection) in the custody of BAMPFA are stored at the Carleton Street warehouse but are not housed together in one area. Inventorying these works will require a complete inventory of all of the artworks in the warehouse, estimated at several thousand objects. It is estimated that the cost of inventorying the art to be \$92,000 (three staff for six months plus expenses). BAMPFA will seek campus support to undertake this work. Target Date: June 30, 2020

### *Art Inventory Systems*

In order to fully cross-reference BETS property numbers and BAMPFA accession records, BAMPFA will plan to add BETS property numbers to its Collection Space system (CSpace) art collection database records during the next full collection inventory. Collection inventories are conducted every ten years per American Alliance of Museums' professional accreditation standards, so BAMPFA's next scheduled full art collection inventory will be in 2025. Target Date: December 20, 2025

### *Disposal of Art*

BAMPFA will develop written procedures for deaccessioning artwork and film in the collection and procedures for disposal of non-accessioned art and film by December 2019, in accordance with the existing BAMPFA Deaccessioning Policy and deaccessioning checklist. Target Date: December 30, 2019

## **General Museum Operations**

BAMPFA engages in a variety of functions in order to carry out its operations. We found additional functional areas where consideration should be given to strengthening controls.

*Segregation of Duties.* The Visitor Services manager is responsible for and/or performs a variety of functions associated with ticketing, store purchasing, inventory and receiving, processing credits, parts of cash handling, and reconciliation of BluCard purchases to vendor invoices. The consolidation of so many of these functions into one person creates a segregation of duties risk. Consideration should be given to implementing additional controls associated with these functions (additional review and approval, additional monitoring, and/or stronger segregation of responsibility). In addition, procedures in these areas should be fully documented in a manner that identifies individual responsibility and should be periodically reviewed and update by others in the BAMPFA Business Office.

### **Management Response and Action Plan**

BAMPFA has been unable to segregate duties due to its small size and limited staff, however, we have implemented new policies and procedures that adopt preventive and detective activities to ensure that we have adequate controls over cash handling, inventory and receiving, and reconciliation of BluCard purchases to vendor invoices. Effective July 1, 2019, BAMPFA has incorporated a new process for processing vendor invoices for items purchased by the Visitor Services manager. Access to BearBuy has been removed and a process initiated where all invoices not paid via BluCard are submitted to the Business Office for payment processing and review. Target Date: October 19, 2019

BAMPFA will also develop full written documentation for museum business operations. Target Date: May 30, 2020