

# Office of Internal Audit

## Performance Audit 23-02: Public Art

December 2023

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Senior Auditor**

Richard Walls, CPA, CIA, CMFO





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

December 13, 2023

To: Mayor Tim Kelly  
City Council Members

Subject: Public Art Audit (#23-02)

Dear Mayor Kelly and City Council Members:

The attached report contains the results of our audit of Public Art. Overall, we found Public Art has some internal controls over operations. However, opportunities exist for improvement. In order to address the noted areas for improvement, we recommended actions to update the public art ordinance, art commission bylaws and operational policies and procedures.

We thank the management and staff of Parks & Outdoors, and Public Art for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc: Audit Committee Members  
Jermaine Freeman, Chief of Staff  
Ryan Ewalt, Chief Operating Officer  
Vickie Haley, Chief Financial Officer  
Julia Bursch, Deputy Chief Operating Officer  
Scott Martin, Administrator, Parks & Outdoors  
Jason McKinney, Deputy Administrator, Parks & Outdoors  
Carmen Davis, Senior Director of Arts, Culture and Creative Economy  
Jim Arnette, Tennessee Local Government Audit

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## AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2023 Audit Agenda. The objectives of this audit were to:

- Determine compliance with the Public Art Commission Ordinance.
- Determine if public art listing is accurate and complete.
- Determine if adequate procedures are in place to ensure public art expenditures are properly documented, reviewed and approved.

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## BACKGROUND

The City of Chattanooga Public Art program (aligned with Parks & Outdoors) aims to enhance the City's public spaces by commissioning and installing works of art. The program collaborates with the Chattanooga Public Art Commission, which is a group of volunteers appointed by the Mayor and confirmed by the City Council.

The program has commissioned a variety of works, including sculptures, murals, and installations, which can be found throughout the City's parks, streets, and buildings. The program also offers educational programs to engage the public with the art and artists.

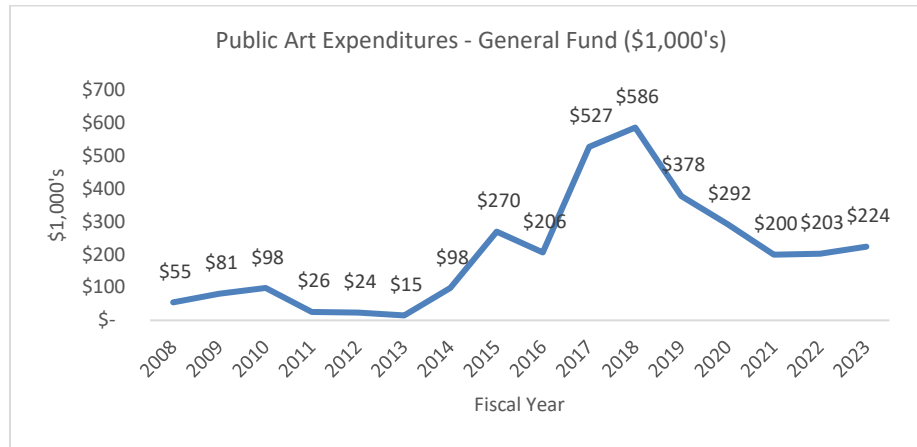
The Public Art Division mission is “To present a wide variety of high quality public art, working with the community to enhance the civic environment and enrich the lives of visitors and residents.”



Exhibit 1: *Stickball Players* (Location: The Passage Ross's Landing)

Subsequent to the beginning of the City's fiscal year 2023 budget, public art oversight was transferred from the Department of Economic Development to Parks & Outdoors. At the time of the transition, there was not a satisfactory listing of the public art collection, and the art itself was in various states of disrepair due to neglect.

### Financial Information



Source: ACFR

## FINDINGS AND RECOMMENDATIONS

### Update the Public Art Ordinance, Art Commission Bylaws and Operational Policies and Procedures.

During our audit of the public art program, we identified noncompliance and inconsistencies with the existing public art ordinance, art commission bylaws, and operational policies and procedures.

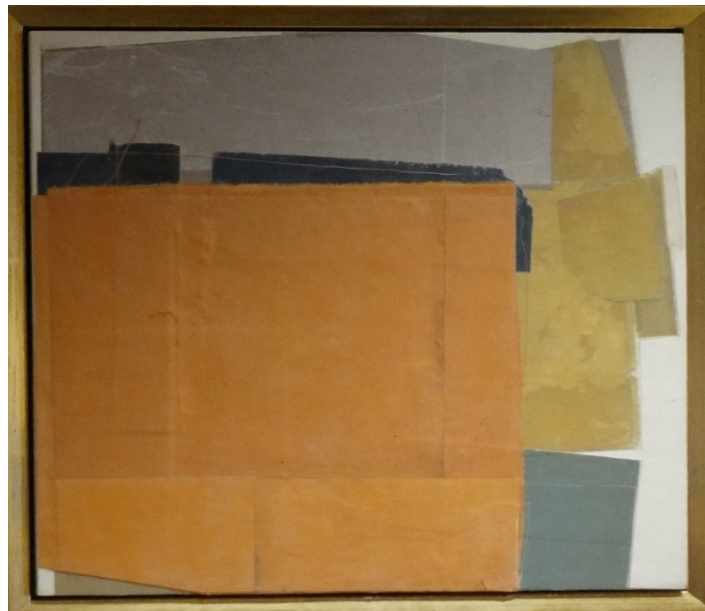


Exhibit 2: 2 Collages – Orange (Location: City Hall 3<sup>rd</sup> Floor)

The public art ordinance, art commission bylaws, and operational policies and procedures have not been updated since the change in leadership in the fall of 2022. The identified noncompliance and

inconsistencies could hinder the program's effectiveness. The following issues were identified:

- a) Ordinance Sec. 9-4, 3: The ordinance states, the commission shall develop an annual public artwork plan. The last public artwork plan was in 2019.
- b) Ordinance Sec. 9-4, 4: The ordinance states, the commission shall advise on the development of an entrepreneurial financial structure. An entrepreneurial financial structure has not been developed.
- c) Ordinance Sec. 9-5, 3: The ordinance states there shall be a separate public art maintenance fund that is funded by a percentage of art projects. Public Art goes through the annual budget process, but there is not a percentage of art projects included.
- d) Ordinance Sec. 9-6, 2: The ordinance states there is a percent for art budget (capital). Public Art goes through the annual capital budget process, but it does not include a percentage for art.
- e) Bylaws Article V, B: It is stated elections will be held at the first regular meeting in February. The minutes for February 2023 do not mention elections.
- f) Policies and Procedures, Art in Capital – Public Art Process: The numbering in the guidelines is not sequential or logical.
- g) Policies and Procedures, Standard Contracts + Process: In the contract, the review & signature section refers to Bonnie and Donna by name. These should refer to positions instead of a person's name.
- h) Policies and Procedures, Public Art Proposal, Approval & Implementation Process: The electrical section ends with a question mark (“?”) without any detailed instructions.

“Establishing and maintaining a system of internal control is required by state and federal law. Implementing the five (5) components of internal control should be considered mandatory.”<sup>1</sup> The public art ordinance, art commission bylaws, and operational policies and procedures are integral elements of the internal control system for public art. Together, they help public art achieve their objectives while managing risks and ensuring compliance.

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<sup>1</sup> Tennessee Comptroller of the Treasury Audit Manual, June 2023, page ii.

The oversight, performance and control of the public art process is informal and based primarily on institutional knowledge of staff. The identified noncompliance and inconsistencies could hinder the public art program's effectiveness.

### **Recommendation 1:**

We recommend Public Art personnel review, comply with and update the public art ordinance, art commission bylaws, and operational policies and procedures.

***Auditee Response:*** *We concur with the audit finding and recommendation. Staff has sent the ordinance and bylaws to the Art Commission for review and appropriate action. Operational policies and procedure issues will be addressed after the Manager of Public Arts position is filled.<sup>2</sup>*

***Estimated Implementation Date:*** *March 31, 2024*

***Priority Level:*** *1*

### **Public Art Should Continue Implementation of the Art Inventory.**

In April 2023, Public Art purchased a collection management database system (Artwork Archive). Since that time, the Collection Specialist has been recording each piece of artwork and its location. The management system also includes a photo of the piece, provenance documentation, and the maintenance currently needed. Art Commission Members deemed the improvement in cataloging of the art a success in the past year.



Exhibit 3: *Luminous Light Masts* (Location: Chattanooga River Pier)

As part of our audit, we statistically selected a sample of artwork from the collection listing to verify existence and inspect the condition of

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<sup>2</sup> Subsequent to the auditee's general concurrence during our meeting to review findings and recommendations, we received additional comments from the auditee. We summarized the auditee's comments here and have included the comments as received from the auditee in Appendix C to this report.

each piece. A sample size of 41 (22%) was selected from a population of 190. In addition, 10 pieces of artwork were selected at random to make sure they were included in the population.

Of the 41 pieces of art selected for testing, 38 were found and three (3) were not. One pastel painting, listed as stored in the attic of City Hall, was not found, and two (2) outdoor pieces had been deaccessioned (removed from the collection). In our judgment, of the 38 pieces observed, 26 are in good condition, while eight (21%) are in fair condition and four (10%) are in poor condition.

In addition, as part of our audit, we attempted to trace artwork from the collection listing to the fixed asset listing maintained by the Finance Department. As previously mentioned, there are 190 items on the collection listing. We found 49 of the 190 items on the City's fixed asset listing. In some cases, some pieces of public art are combined on the fixed asset report, making it difficult to reconcile the two listings.

According to the City's fixed asset and sensitive minor equipment (SME) policy, public art items greater than \$5,000 should be recorded on the fixed asset listing (capitalized) and items under \$5,000 should be recorded on the SME listing. Based on discussion with the Finance Department, it appears public art has been combined on the fixed asset listing and reported incorrectly.

Also, Risk Management maintains a listing of public art for insurance purposes. There was not an attempt to reconcile the insurance list to the collection listing or the fixed asset listing.

Because inventory management is one of the most important aspects of any operation, the City requires "each department and agency of the city shall, under the supervision of the city finance officer, keep a perpetual inventory of the city property under its control, and furnish such reports in relation thereto as the city finance officer may require."<sup>3</sup>

There is a risk inventory may not be properly recorded and reported. Inaccurate reporting of capital assets may lead to over or understatement of cost, improper safeguarding which may result in theft, misappropriation or unauthorized use, and improper confirmation that the asset actually exists.

In recent years, there has been a turnover in City personnel managing public art, as well as a reorganization of departments with public art

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<sup>3</sup> City of Chattanooga, Tennessee Code of Ordinances, Section 2-5. – Departmental inventories of city property.



oversight. Initially, there was not a satisfactory listing of the art collection, and the art itself was in various states of disrepair due to neglect.

**Recommendation 2:**

We recommend Public Art continue implementation of the art inventory system.

*Auditee Response: We concur with the audit finding and recommendation.*

*Estimated Implementation Date: March 31, 2024*

*Priority Level: 2*

**Recommendation 3:**

We recommend the maintenance data collected in the art inventory system should be utilized to develop a maintenance plan.

*Auditee Response: We concur with the audit finding and recommendation.*

*Estimated Implementation Date: March 31, 2024*

*Priority Level: 2*

**Recommendation 4:**

We recommend the collection listing should be reconciled to the fixed asset listing, the sensitive minor equipment listing and the insurance listing, at least on an annual basis

*Auditee Response: We concur with the audit finding and recommendation. Staff has a meeting scheduled with risk management to address the listings.*

*Estimated Implementation Date: March 31, 2024*

*Priority Level: 2*

**Purchase Card  
Policy Violations.**

When reviewing Public Art expenditures, we identified credit card charges totaling \$16,698 that were not allocated to expenditure accounts. Of that amount, \$2,839 were not adequately supported by receipts. The required "Lost Receipt Form" was not prepared or uploaded for these items. Additionally, there were no travel expense reports filed for trips to Austin, TX, and New York City.

According to Purchase Card Policy, “Transactions must be reconciled and allocated to the General Ledger within 30 days of the statement billing date.” Also, according to employee expense reimbursement policy, travel policy, “Everyone must complete a “*Travel Expense Report*” through the Expense Module. This applies even if there is no balance payable by the City or due from the employee. Upon return from the trip, the report is due in Oracle Cloud within 30 days of the return date of the trip to avoid being delinquent. Failure to adhere to this policy will be reported to the Department Administrator and Finance Officer. Unresolved issues may result in payroll deduction and/or discipline.”

The failure to allocate credit card expenditures, to adequately support charges and file travel expense reports could result in errors and irregularities which may go undetected. The lack of adequate monitoring also increases the likelihood of fraud and financial loss.

#### **Recommendation 5:**

We recommend Public Art follow credit card and travel reporting policies.

***Auditee Response:** We concur with the audit finding and recommendation. Staff has addressed and corrected these matters.*

***Estimated Implementation Date:** Immediately*

***Priority Level:** 2*

***Auditor Comment:** After receiving the auditee’s statement that these Pcard matters have been corrected, we inquired of the Finance Department for verification. As of December 11, 2023, Finance advised us they are unable to locate any expense reports for Carmen Davis, no unallocated charges from FYE2023 have been allocated and another \$3,300 of unallocated expenses exist for FYE2024.*

#### **Recommendation 6:**

We recommend the credit card and travel transactions should be adequately monitored.

***Auditee Response:** We concur with the audit finding and recommendation.*

***Estimated Implementation Date:** Immediately*

***Priority Level:** 2*

**Recommendation 7:**

We recommend the cardholder and approver should be disciplined and required to take additional training to reinforce purchasing card and travel requirements.

***Auditee Response:** We concur with the audit finding and recommendation.*

***Estimated Implementation Date:** March 31, 2024*

***Priority Level:** 2*



Exhibit 4: The Passage (Location: Ross's Landing)

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## APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit covers Public Art operations from July 1, 2022 to June 30, 2023. When appropriate, the scope was expanded to meet the audit objectives. Original records as well as copies were used as evidence and verified through physical examination.

To accomplish our audit objectives, we reviewed available policies and procedures, interviewed staff, analyzed the public art listing, documented and evaluated the internal control process, and sampled public art for compliance with established procedures. We compared available departmental policies and procedures to operations.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was structured in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

We conducted this performance audit from May 2023 to October 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## APPENDIX B: PRIORITY LEVEL DEFINITIONS

**Priority 1:** Critical control weakness exists that exposes the City to a high degree of risk. Noncompliance with federal, state or local law, regulation, statute, charter or ordinance will always be considered a priority 1.

**Priority 2:** Control weakness exists that exposes the City to a moderate degree of risk.

**Priority 3:** The opportunity for improved efficiency or reduced exposure to risk exists.

Ordinance Sec. 9-4, 3: Develop an annual Public Art Work Plan charting current and future public art projects, and determine resources and funding priorities.

Audit comment: a) Ordinance Sec. 9-4, 3: The ordinance states, the commission shall develop an annual public artwork plan. The last public artwork plan was in 2019.

Staff notes: In 2019 the Public Art Commission went under a strategic plan which is not the same as a public artwork plan. The steps needed to complete a public artwork plan was completed in August 2022 and is reflected in the minutes.

Staff has sent the ordinance and audit comment to the Public Art Commission for review with the recommendation that the verbiage is altered to reflect the process.

Ordinance Sec. 9-4,4: Advise on the development of an entrepreneurial financial structure that provides for professional consulting fees for services and projects outside of the Public Art Work Plan.

Audit comment:b) Ordinance Sec. 9-4, 4: The ordinance states, the commission shall advise on the development of an entrepreneurial financial structure. An entrepreneurial financial structure has not been developed.

Staff has sent the ordinance and audit comment to the Public Art Commission for review with the recommendation that this is removed from the ordinance.

Ordinance Sec. 9-5, 3: The percentage of the funds for any commissioned or donated public art project set aside for maintenance, as determined by Public Art guidelines, shall be maintained in a separate public art maintenance fund for the sole purpose of ongoing care and maintenance of the City public art collection.

Audit comment:c) Ordinance Sec. 9-5, 3: The ordinance states there shall be a separate public art maintenance fund that is funded by a percentage of art projects. Public Art goes through the annual budget process, but there is not a percentage of art projects included.

There is a separate fund that has maintenance dollars in it. There were not any new capital projects in FY23. We completed projects from previous years and the dollars are accounted for in the fund. .

Staff has sent the ordinance and audit comment to the Public Art Commission for review with the recommendation that this is removed or altered to reflect the budget process.

4. Public Art Should Continue Implementation of the Art Inventory: According to the city's fixed asset and sensitive minor equipment (SME) policy, public art greater than \$5,000 should be recorded on the fixed asset listing (capitalized) and under \$5,000 should be recorded on the SME listing. Based on discussion with the finance department, it appears public art has been combined on the fixed asset listing and reported incorrectly. Also, risk management maintains a listing of public art for insurance purposes). This listing is included in the work papers for information purposes only. There was not an attempt to reconcile the insurance list to the collection listing or the fixed asset listing.

Staff has a meeting scheduled with risk management to address the listings.

Ordinance Sec. 9-6,2: Oversee the percent for art budget, including regular meetings with the Capital Planner to assess project eligibility for current and projected Capital Improvement Program projects.

Audit comment: d) Ordinance Sec. 9-6, 2: The ordinance states there is a percent for art budget (capital). Public Art goes through the annual capital budget process, but it does not include a percentage for art.

Staff note: There is not a percentage guaranteed for Public Art in the budget process.

Staff has sent the ordinance and audit comment to the Public Art Commission for review with the recommendation that this is removed or altered to reflect the current budget process.

6. Officers shall be elected annually by a majority vote of the entire membership of the Commission at the first regular meeting in February of each year. In the event a current officer becomes ineligible to serve as an officer, the Commission may hold an emergency election as needed.

Audit comment: e) Bylaws Article V, B: It is stated elections will be held at the first regular meeting in February. The minutes for February 2023 do not mention elections

Staff has made the Public Art Commission executive committee aware that elections will need to happen in February 2024.

Audit comment: f) Policies and Procedures, Art in Capital – Public Art Process: The numbering in the guidelines is not sequential or logical.

Staff recommends creating a new Policies and Procedures document once the Manager of Public Art starts in January .

Audit comment: g) Policies and Procedures, Standard Contracts + Process: In the contract, the review & signature section refers to Bonnie and Donna by name. These should refer to positions instead of a person's name.

Staff sent an executed contract for review. The names are correct based on when the contract was executed. There is not a blanket contract. Each contract that is executed by Public Art is done via our legal department and reflects the names of the parties involved at the time of execution..

Audit comment: h) Policies and Procedures, Public Art Proposal, Approval & Implementation Process: The electrical section ends with a question mark (“?”) without any detailed instructions.

Staff cannot find what the audit is referring to.

Audit comment: We recommend Public Art personnel review, comply with and update the public art ordinance, art commission bylaws, and operational policies and procedures.

Staff was advised that the Commission will have to be involved in any ordinance and/or Bylaw changes

Staff will work to update policies and procedures.

3. Credit Card Charges Totaling \$16,898 Were Not Allocated to Expenditure Accounts: Credit card charges totaling \$16,698 were not allocated to expenditure accounts We identified credit card charges totaling \$16,698 that were not allocated to expenditure



accounts. Of that amount, \$2,839 were not adequately supported by receipts. The required "Lost Receipt Form" was not prepared or uploaded for these items. Additionally, there were no travel expenses reports filed for trips to Austin TX and New York City.

Staff has addressed and corrected these matters.

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### **City of Chattanooga Fraud, Waste, and Abuse Hotline**

Internal Audit's Fraud, Waste, and Abuse Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any City facility or department.

Internal Audit contracts with a hotline vendor, NAVEX GLOBAL, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

To make a report, call 1-877-338-4452 or visit our website:

[www.chattanooga.gov/internal-audit](http://www.chattanooga.gov/internal-audit)