



# INTERNAL AUDIT REPORT

Operational Audit  
Art Program

January 2017 – March 2021

Issue Date: June 4, 2021  
Report No. 2021-08



INTERNAL AUDIT

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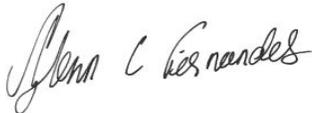
## Executive Summary

Internal Audit (IA) completed an audit of the Art Program (program) for the period January 2017 through March 2021. The audit was performed to determine whether a process was established and followed to comply with Port Policy, to evaluate governance, and to assess if art assets are maintained and safeguarded.

The Port of Seattle (Port) has been an active proponent of art since the late 1960s as the first public airport to establish a civic art collection. In November 2019, Port Commission approved the Arts and Cultural Program Policy Directive (Policy). The Policy aspires to position the Port as a national leader among its peers for art and cultural programming, to promote programming throughout all Port and Port-related facilities, and to engage the public. The Policy also requires that effective January 1, 2020, one percent of capital construction project costs will be budgeted to art, less allowable exclusions. Prior to January 2020, one-half of one percent of design and construction costs were required to be allocated to the program.

We concluded that awareness, commitment, and governance over the Port's Art program was not as robust as required by Policy guidance. We identified one medium rated issue that is offered to increase understanding of some of the missed opportunities and to suggest ideas to simplify and improve how the program is executed. IA recognizes the intrinsic value that art offers and highlights the need to balance program expectations with other critical Port functions. This issue is provided below and discussed in more detail beginning on page six of this report.

1. (Medium) – Governance by the Port-Wide Arts and Culture Board (Board) and funding has not occurred as required by the Cultural Program Policy Directive. Staffing levels and resources may also not be sufficient to develop and sustain an art program at both the aviation and maritime divisions.



Glenn Fernandes, CPA  
Director, Internal Audit

### Responsible Management Team

Jeffrey Brown, Chief Operating Officer, Aviation  
Stephanie Jones Stebbins, Managing Director, Maritime  
Lance Lyttle, Managing Director, Aviation  
Dave McFadden, Managing Director, Economic Development

## Background

The Port of Seattle (Port) has been an active proponent of art since the late 1960s as the first public airport to establish a civic art collection. The Port implemented the Port-Wide Arts and Cultural Program Policy Directive (Policy), which was approved by Commission on November 19, 2019. The purpose of the policy is to position the Port as a national leader among its peers for art and cultural programming, to promote art and cultural programming throughout all Port and Port-related facilities, and to engage the public. The Policy replaces the Port Art Program Policy and Guidelines, approved by Commission in December 2009.

The Policy references an aviation and non-aviation art pool. The pool is funded at one-percent (1%) of the budgeted capital construction costs. The Policy identifies the following funding exclusions:

- Aviation division projects: airfield paving and associated airfield components; fuel hydrant systems; baggage systems in the bagwell which are not in the public bag claim area; and underground utilities.
- Maritime division projects: fishing-related docks; berths; dolphins; piles; electrical; and sewage.

Oversight is provided by the Port-Wide Arts and Culture Board (Board) for guidance, leadership, and support to procure, commission and incorporate high-quality art that engages the public. The Board is comprised of the following nine (9) members:

- Two (2) commissioners appointed by the Commission President.
- Three (3) members of the executive leadership team appointed by the Executive Director:
  - a. Maritime Managing Director or designee.
  - b. Economic Development Managing Director or designee.
  - c. Airport Managing Director or designee.
- Four (4) members of the public, as recommended by the Board and Senior Art Manager, and appointed by the Commission.

The Board establishes Port-Wide Arts and Cultural Program Guidelines (Guidelines) and includes the following guidance:

- Direct the Port's art collection and cultural programming to represent the diversity of the people living in King County, including indigenous and those historically marginalized.
- Direct the protocol for the procurement, commission, selection, conservation and maintenance, relocation, deaccession, sale and lease of artwork.
- Includes protocols for all temporary art exhibits, rotating exhibits and programming.
- Incorporates Port equity, diversity and inclusion principles throughout the entire program.
- Includes the following considerations:
  - a. complement the overall aesthetic of the surrounding area
  - b. encapsulate and reflect the spirit of the Pacific Northwest
  - c. coordinate with signage and way-finding when possible
  - d. elevate the Airport's rating on internationally-recognized airport-rating systems
  - e. adhere to industry practices around conservation and maintenance
  - f. generally allocate funds to the project that generated the specific funds; when recommended

## **Audit Scope and Methodology**

We conducted the engagement in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and conduct an engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our engagement objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our engagement objectives.

The period audited was January 2017 through March 2021 and included the following procedures:

### Validate that a process to comply with Port policy was established and followed.

- Gained an understanding of the history and status of the art program through discussions with management.
- Interviewed key process personnel on process procedures and requested documentation to support processes.
- Reviewed project memo documents to confirm timing of art transfers.
- Obtained general ledger detail to assess transfers into and out of the art program fund.

### Evaluate governance over the art program.

- Interviewed key personnel regarding Board meetings.
- Obtained and reviewed Board meeting agendas and content of minutes.
- Reviewed Commission documents to determine if Commissioners were aware of art purchases and status of the program.
- Reviewed the report prepared by the Lumiere Group, dated March 6, 2020, outlining the Port's five-year strategic art and cultural program.

### Assess if art assets are maintained to preserve value and are properly safeguarded.

- Interviewed art program management to gain an understanding of the conservation and maintenance procedures for art collections.
- Obtained documentation of previous collection assessments to verify assessments are occurring.
- Selected 15 art pieces from the asset inventory list and validated their existence by physical observation at SEA.
- Observed 15 art pieces at SEA and traced them to the asset inventory list.

## Schedule of Findings and Recommendations

**Rating: Medium**

**Governance by the Port-Wide Arts and Culture Board (Board) and funding has not occurred as required by the Port-Wide Arts and Cultural Program Policy Directive (Policy). Staffing levels and resources may also be insufficient to develop and sustain an art program at both the aviation and maritime divisions.**

We identified three critical elements where compliance with the Policy wasn't always followed. We also evaluated the Policy and observed that requirements could be streamlined so that program expectations are more achievable and realistic.

### Governance

The Port-Wide Arts and Culture Board (Board) provides guidance, leadership, and support in its acquisition and integration of art throughout the Port and Port-related facilities. The Board is comprised of nine members (two commissioners, four public members, and three Executive Leadership Team (ELT) members or designee from Aviation, Economic Development, and Maritime divisions). Due to complex scheduling requirements, governance meetings have not been occurring consistently, as scheduled.

### Funding

One percent (1%) of all capital construction project costs in the authorized capital improvement plan is required to be allocated to the art pool; one for Aviation and one for Maritime. The Policy also lists funding exemptions including underground utilities, fuel hydrant systems, fishing related docks, dolphins, piles, electrical and sewage. However, from 2017 to 2021 an art pool was not used to procure art.

For Aviation, a one-time increase of \$1.223 million was made as a retroactive adjustment in January 2021. This adjustment was for projects with an effective date of January 2017. In 2021, a \$1.453 million decrease occurred and represents a reconciling adjustment for a 2014 decrease to the art budget (no funds were spent for art acquisitions<sup>1</sup>). For the International Arrivals Facility and North Satellite construction projects, the Aviation group procured art purchases directly out of the project budgets and did not use the art pool.

Year	Transfers In	Transfers Out
2017	\$10,000	-
2018	-	-
2019	-	-
2020	-	-
2021	\$1,223,000	\$1,453,034 <sup>1</sup>

Maritime and Economic Development did not fund an art pool or make art purchases between 2017 and 2021.

### Staffing and Resources

According to the March 2020 report titled Five-Year Strategic Plan for the Port-Wide Arts and Cultural Program, a minimum of five full time art staff were recommended. The report states "The Port-Wide Arts and Cultural Program requires a robust staff to support existing and future commitments. Caring for the existing artwork, researching and acquiring new artwork, and implementing and installing temporary exhibitions are key components of the new staffing model." Although internal resources and

a contractor have recently been assigned, only one full time aviation employee manages the art function.

**Recommendations:**

Governance

The collective insights of commissioners, Executive Leadership Team (ELT), and public members bring valuable insight and offer a diverse perspective. However, the ability to coordinate meetings so that all nine members can attend might be unreasonable. To assure meetings occur as scheduled, the Board should consider revising the requirements of who needs to be present for a meeting to proceed as scheduled. This may include reducing membership to a more manageable number.

Funding

We believe the number of qualified and dedicated employees are critical to maintain and advance the art program. Therefore, funding allocations should be determined after staffing levels and/or appropriate resources, have been agreed upon. We also recommend simplifying the funding requirements based on the needs of the art program purchases. The Policy requires determining whether a project is eligible, determining the amount, and recording the entry on an individual and ongoing basis. Instead, a one-time annual allocation could be established based on a percentage of the capital budget. The allocation could also include a minimum (floor) and maximum (cap), as per the current policy. Having an annual allocation could also reduce administrative burden and simplify accounting transactions.

Staffing and Resources

We recommend the Board review the Five-Year Strategic Plan including the resource assessment, performed by the Lumiere Group. Adjustments to the plan might be necessary based on committed resources. In 2016, a third-party appraised the value of 36 articles at approximately \$15 million. With a collection of over 200 pieces, the ability to catalogue, maintain, and build the art program is dependent upon the number of qualified and dedicated employees, as well as inventory systems and resources to meet the objectives and intent of the art program.

**Management Response/Action Plan:**

Aviation Response

The Aviation Division agrees with the recommendations and will work with the Executive Director and the Port-Wide Arts and Culture Board on the changes to the governance, funding and staffing resources necessary to implement the recommendations.

The Aviation Division supports the recommended once a year art budget allocation to the Aviation Art Pool rather than percent (%) allocation for each project when the construction budget is authorized.

Maritime and Economic Development Response

The Maritime and Economic Development Divisions agree with the finding and recommendation related to the governance. With respect to funding, the Maritime Division agrees with the recommendation that funding and staffing/resources be aligned as well as simplified, however, we do not believe the same solutions will make sense to all divisions across the Port. We will work with the Executive Director and the Port-Wide Arts and Culture Board on the changes to the governance, funding and staffing resources necessary to address the findings in ways appropriate to our facilities.

**DUE DATE: 12/31/2021**

## Appendix A: Risk Ratings

Findings identified during the audit are assigned a risk rating, as outlined in the table below. Only one of the criteria needs to be met for a finding to be rated High, Medium, or Low. Findings rated Low will be evaluated and may or may not be reflected in the final report.

Rating	Financial Stewardship	Internal Controls	Compliance	Public	Commission/ Management
<b>High</b>	Significant	Missing or not followed	Non-compliance with Laws, Port Policies, Contracts	High probability for external audit issues and / or negative public perception	Requires immediate attention
<b>Medium</b>	Moderate	Partial controls Not functioning effectively	Partial compliance with Laws, Port Policies Contracts	Potential for external audit issues and / or negative public perception	Requires attention
<b>Low</b>	Minimal	Functioning as intended but could be enhanced to improve efficiency	Mostly complies with Laws, Port Policies, Contracts	Low probability for external audit issues and/or negative public perception	Does not require immediate attention