



# AUDIT HIGHLIGHTS

## Scottsdale's Museum of the West Contract

March 3, 2020

Audit Report No. 2006

### WHY WE DID THIS AUDIT

An audit of *Scottsdale's Museum of the West Contract* was included on the fiscal year (FY) 2019/20 Audit Plan. The audit objective was to evaluate compliance with contract terms and effectiveness of contract administration for the Scottsdale Museum of the West contract.

### BACKGROUND

*Western Spirit: Scottsdale's Museum of the West* opened on January 15, 2015. The City owns the museum property, and contracts with a museum manager/operator, the nonprofit Scottsdale Museum of the West, Inc. (SMoW Inc.)

The City and SMoW Inc. have amended the management agreement five times, most recently in October 2017.

The museum operator is responsible for all furniture, fixtures and equipment inside the facilities as well as all utilities except exterior water. The City is responsible for maintaining the buildings, including the roof, electrical and HVAC systems, and the building exterior and grounds.

For calendar years 2015 through 2018, SMoW Inc. reported \$9.8 million in revenues, of which \$3.3 million, or 34%, was provided by the City.

### City Auditor's Office

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### WHAT WE FOUND

#### **While generally effective, contract administration can be improved.**

Specifically, we found:

- Some utility and maintenance requirements were not handled in compliance with contract terms. From June 2014 through December 2019, the City paid approximately \$77,000 for the administration building electric utilities, which is the museum operator's responsibility. In addition, some maintenance requirements could be further clarified.
- Required reports were not complete or submitted timely. The annual plan did not include some required information, and annual performance reports were not provided. Also, audited financials and quarterly donation reports were not received timely.

### WHAT WE RECOMMEND

We recommend the Contract Administrator:

- Request reimbursement from SMoW Inc. for the City's payments for the administration building utilities; review maintenance work orders periodically to determine whether the items are within the City's responsibility; and develop written clarification for other items, such as hot water heater repairs and replacements and humidity control system components.
- Work with SMoW Inc. to ensure that all required reports are complete and submitted to the City on a timely basis.

### MANAGEMENT RESPONSE

The department agreed with the audit recommendations and plans to complete implementation by September 2020.