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Cover photo by Denver Auditor's Office staff.
January 21, 2021

AUDITOR’S LETTER

The objective of our audit of the Denver Art Museum was to review the city’s relationship with the museum and determine the effectiveness of specific museum policies and practices, as well as the governance provided by the museum’s board of trustees. I am pleased to present the results of this audit.

The audit found existing agreements between the city and the museum do not adequately clarify their relationship, and the city has not properly accounted for some of its assets at the museum. The audit also found that inventory policies and practices, as well as one aspect of badge oversight, should be strengthened. The museum’s emergency planning activities do not align with leading practices, and its planning documents are inconsistent. Finally, the board could incorporate more leading practices into its governance approach to better ensure trustees are engaged, board guidance is updated, and that the board better represents the diversity of the Denver metropolitan community.

The city can achieve better oversight over the city’s assets at the Denver Art Museum and better clarity regarding the rights and responsibilities of both the city and the museum by implementing recommendations for an updated agreement. Updating and strengthening policies and procedures for collection management and emergency response could enable the museum to make more efficient use of its staff resources, maintain accurate inventory data, and ensure its response to emergencies is coordinated and consistent. Finally, updating the board of trustees’ bylaws and developing polices that address training and diversity could enhance the board’s governing practices.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, “General Powers and Duties of Auditor.” We conducted this performance audit 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.

We extend our appreciation to the personnel at the Denver Art Museum who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Objective
To assess elements of the city’s relationship with the Denver Art Museum, including agreements and accounting of city-owned assets, and to review selected museum policies and practices as well as the museum board of trustees’ governance of the organization.

Background
In 1893, several artists established the Denver Artists’ Club, which became the Denver Art Museum in 1923. In 1971, the museum opened its current location in downtown Denver.

The museum maintains over 70,000 works of art. Its mission is “to enrich the lives of present and future generations through the acquisition, presentation, and preservation of works of art, supported by exemplary scholarship and public programs” through permanent collections and temporary exhibits.

Highlights from Audit
The City’s Formal Relationship with the Denver Art Museum, as well as Its Ownership of Some Assets at the Museum, Is Unclear
- Existing agreements between the city and the Denver Art Museum are outdated and insufficiently document several key elements found in city contracts with other cultural organizations — such as ownership of assets and the city’s participation in governance.
- The city has not properly accounted for some of its assets used by or stored at the Denver Art Museum.

The Denver Art Museum Should Strengthen Its Art Inventory Planning and Practices, as well as Its Emergency Response Plans
- The Denver Art Museum should improve its art inventory planning and practices — as well as database and badge access controls — to fully account for and protect all objects in its care.
- The Denver Art Museum’s approach to emergency planning lacks some key elements — such as a formal risk assessment and a continuity plan — and emergency planning documents are inconsistent in the information they share.

The Denver Art Museum Board of Trustees Should Enhance Its Governance Approach
- The board’s membership does not reflect the diversity of Denver and the surrounding area — in that women and people of color are underrepresented among the 35 trustees.
- The board’s governing practices do not fully align with leading practices, such as limiting the number of consecutive terms trustees can serve.
- The board’s bylaws have not been updated in 22 years and are, therefore, inconsistent with some current board practices.
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BACKGROUND

In 1893, several Denver artists established the Denver Artists’ Club, which became the Denver Art Museum in 1923. Over the next 50 years, the museum acquired its first collections and occupied several different buildings before settling in its current location in downtown Denver.

The museum acquired its first Asian art in 1915 after a collector donated art from China and Japan, and it was the first art museum in the country to collect Native American objects as art, instead of artifacts. Over the decades, it acquired works of art from renowned artists, including Claude Monet and Pierre-August Renoir. Its collections range from Renaissance paintings and sculptures to pre-Columbian and Spanish colonial ceramics, stone, gold, and jade objects, as well as textiles.

THE MISSION OF THE DENVER ART MUSEUM

The mission of the Denver Art Museum is “to enrich the lives of present and future generations through the acquisition, presentation, and preservation of works of art, supported by exemplary scholarship and public programs” through permanent collections and temporary exhibits.

THE DENVER ART MUSEUM’S MARTIN BUILDING

The Lanny and Sharon Martin Building at the Denver Art Museum — previously known as the museum's North Building — was renovated starting in 2018. (Photo by Auditor's Office staff.)
Initially housed in the Chappell House, a mansion in Capitol Hill, the Denver Art Museum now encompasses a campus that includes a welcome center and the Hamilton, Martin, and Bannock buildings. In early 2018, the museum began its renovation of what was then called the North Building — later renamed the Lanny and Sharon Martin Building — and the addition of the new Anna and John J. Sie Welcome Center.

Accredited by the American Alliance of Museums, the Denver Art Museum is governed by a 35-member board of trustees. According to the board’s bylaws, the responsibility for managing the business and affairs of the museum rests with the board.

Trustees are elected by museum members and serve three-year terms unless appointed for additional terms. Five officers — a chair, two vice chairs, a treasurer, and a secretary — lead the board. Among the board’s

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1 The Martin Building was previously known as the North Building before it was renovated in 2018.

2 Another board of directors governs the Denver Art Museum Foundation, which is a separate nonprofit corporation that holds, invests, and administers the museum’s endowment funds.
specific duties are electing officers, hiring a museum director, appointing board committees, developing rules and regulations applicable to museum members and the use of museum property, and accepting, acquiring, purchasing, exchanging, loaning, or disposing of art objects.

To carry out its responsibilities, the board operates with nine committees, in addition to several community advisory groups:

- The Executive Committee.
- The Collections Committee.
- The Committee on Trustees.
- The Development Committee.
- The Education Committee.
- The Finance/Audit Committee.
- The Marketing and Strategic Alliance Committee.
- The Conservation Advisory Ad Hoc Committee.
- The Trustee Building Committee.

Although many museum personnel are involved in the process of acquiring or removing art from the museum’s collections, the board — upon recommendation from its Collections Committee — has final approval authority. The board also approves revisions to the museum’s collections management policy. The policy establishes the museum’s standards for collection stewardship. For example, it includes the museum’s policies related to acquiring and accessioning objects, deaccessioning and removing objects, as well as incoming and outgoing loans, collections care, and inventories.

The collections management policy’s appendices provide further guidance to museum staff regarding handling guidelines and accessing objects stored off-site, as well as incident and damage notification procedures and the collections emergency response plan, to name a few.

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As shown in Figure 1 above, the museum’s day-to-day leadership includes the museum director and multiple executives — including the chief financial officer, the chief marketing officer, the chief curator, and the chief exhibition and collection services officer.

The curators who oversee the museum’s care and maintenance of these works of art regularly work with other museum divisions — such as Exhibitions, Collections, Conservation, and the Registrar's Office. Exhibitions staff work with other divisions to plan for, design, and install museum exhibits.

Meanwhile, guided by the Conservation Division, Collections personnel oversee the physical care of the museum’s collections. For example, they monitor the museum’s climate systems, which are maintained by the Facilities Division, to ensure appropriate temperature and humidity levels are maintained for art storage and exhibition areas. They also oversee pest management, gallery cleaning, and physical inventories of the collections. In the last few years, this team was also responsible for moving art off-site for the Martin Building renovation, and they are now moving those objects back to the museum campus.
The Registrar's Office oversees acquisitions, loans, and deaccessions. Additionally, registrar staff pack outgoing collections and arrange for the shipping, delivery, and security of traveling works of art. The office also administers and manages the museum's collections database, called ARGUS, and trains staff on how to use it.

The Protective Services Division, within the museum's Operations Department, oversees security of the museum buildings and exhibits. The director of protective services is responsible for reviewing and updating the museum's emergency response plan — which assigns responsibilities to certain personnel and provides guidance on how museum staff should respond to different emergencies.

**KEY DEFINITIONS**

**ACCESSIONING**
The formal process used to accept and record a piece of artwork into a collection that gives the museum legal title and commits the museum to the responsibility for proper care and use as defined by its collections policies.

**DEACCESSIONING**
The formal process used to permanently remove a piece of artwork from a permanent collection.

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**A DENVER ART MUSEUM EXHIBIT**

Visitors to the Denver Art Museum observe objects of couture fashion from a temporary art exhibit called “Dior: From Paris to the World,” which was on display at the museum from November 2018 through March 2019. (Photo courtesy of the Denver Art Museum.)
The Collections – The Denver Art Museum has more than 70,000 works of art across a dozen collections. These collections include artwork from various countries and cultures across the globe, and they range from ancient and indigenous artwork to modern and contemporary art and photography.

Artwork stored or exhibited at the Denver Art Museum is assigned a “legal status” that is unrelated to the curatorial collections they belong to. This legal status establishes whether the item has been accessioned into the museum's permanent collection.

According to the museum’s collections management policy: “Permanent collection is a collection status given to artworks that are considered related use as defined by the museum’s collecting mission. Permanent collection artworks are given the highest professional standards of care, storage, conservation, inventory, insurance, documentation, and oversight.” Other legal status categories include “nonaccessioned collection,” “found in collection,” “apparatus (education) collection,” “abandoned property,” “long-term loans” and “temporary loans,” “deaccessioned,” and “removed from museum.”

“Nonaccessioned” collection status is given to art that is not relevant to the museum’s stated collecting mission; these art objects can be used for unrelated use, such as future sale or exchange. The status “found in collection” is assigned when art has been in storage for a significant period of time and the museum lacks documentation to show how it came into the museum’s custody. Items in the “apparatus (education) collection” are those that are considered lower quality and not worthy of acceptance into the permanent collection. However, they may be used for educational purposes or as an exhibition prop.

When there has been no written contact between the museum and a lender for seven years, and the lender’s identity or current address is unknown — or the lender does not reclaim their property after a written notice of the loan’s termination — items are classified as “abandoned property.” These items can be removed or deaccessioned. “Long-term loans” are items loaned to the museum for six months or longer, as opposed to “temporary loans,” which are for shorter periods of time. “Deaccessioned” items are those that used to be in the museum’s permanent collection but have since been removed from permanent collection status; however, they may still be housed at the museum. “Removed from museum” status means an object has been physically removed from the museum.

Financial Status – Between October 2017 and September 2019, the museum generated between $63 million and $78 million in revenue, including capital funds raised for an expansion and renovation, and its total expenses ranged from $34 million to $37 million annually. Specifically, during this...
As shown in Figure 2, some of the more significant sources of revenue were gifts, contributions, admissions, memberships, and proceeds from the gift shop.\(^5\)

The museum also receives significant funding from the Scientific and Cultural Facilities District, which collects and distributes tax dollars — one cent for every $10 spent — to cultural organizations in the seven-county Denver metro region that includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties.

### Arrangement between the City and the Denver Art Museum

In 1932, the City and County of Denver signed its first agreement with the Denver Art Museum to formalize the relationship and responsibilities between the two. Over the years, a series of agreements between the city and the museum illustrate their evolving relationship and their individual development as organizations, as shown in Figure 3 on the following page.

The agreements from 1932, 1942, and 1953 and the memorandum of understanding from 2010 describe overall roles and responsibilities between the city and the museum. By contrast, all the others are specific to the funding and construction of the museum buildings.

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\(^5\) Museum officials provided this amount shortly before report publication; the audit team did not validate it.

The 1932 agreement references the museum’s obligation to become the “art museum agency” of the city in exchange for the city compensating the museum for those services. It also says the city would provide space in the City and County Building for an art museum and rely on the museum to employ skilled employees to care for the art and manage art museum activities — including acquiring and exhibiting art. Although the 1932 agreement and later agreements refer to the museum as the “art museum agency,” for the purposes of this report we refer to the museum as the city’s “agent by contract” to avoid confusing it with city agencies that operate under the mayor.

The next agreement, finalized in 1942, reiterates the museum’s authority to select and arrange art exhibited in the City and County Building’s galleries. It also committed the city to providing additional space in the City and County Building for the museum, and it obligated the city to acquire land near Civic Center Park for the construction of a new museum building while the museum would raise funds for that new building. Additionally, the agreement references trustees for the estates of two Denver residents — Helen Dill and Rachel M. Schleier — regarding their interest in contributing estate funds for constructing a new art museum building.

The 1953 agreement documented the city’s allocation of taxpayer funds for operating the museum as well as the city’s acquisition of specific pieces of land upon which the museum would construct a new building.
Finally, in 2010, the city and the museum signed a memorandum of understanding that reaffirmed the museum’s role and the ongoing relationship between the two parties. It also discusses the money used to construct the two museum buildings: the Martin Building and the Hamilton Building.

**City Financial Support of the Museum** – According to the mayor’s annual budget, the museum receives funding every year for operational support and for the maintenance of its galleries and buildings. As shown in Figure 4, the city provided over $2.6 million to the museum in 2017, and that support has increased dramatically since 2018 because of additional bond funding the city provided for museum building renovations. The museum is not required to reimburse the city for these bond funds.

**FIGURE 4.** City Financial Support of the Denver Art Museum, Fiscal Years 2017 through 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>Operations</th>
<th>Capital Improvements</th>
<th>Telephone, Insurance, Other Services</th>
<th>Bond Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1.39 million</td>
<td>$715,014</td>
<td>$522,877</td>
<td>$2.63 million</td>
</tr>
<tr>
<td>2018</td>
<td>$1.43 million</td>
<td>$1.15 million</td>
<td>$436,456</td>
<td>$17.54 million</td>
</tr>
<tr>
<td>2019</td>
<td>$1.47 million</td>
<td>$426,022</td>
<td>$578,294</td>
<td>$17.96 million</td>
</tr>
</tbody>
</table>

Source: Denver Art Museum financial statements.

The museum also received bond funding from the city on multiple other occasions starting in 1988. Figure 5 on the following page shows the bond funds provided to the museum over time.

Additionally, the museum contributed private funds to these bond-funded projects. For example, it reported to have raised $47 million for constructing the Hamilton Building and more than $64 million for renovating and expanding the Martin Building. General obligation bonds, a form of debt, are secured by a local government’s obligation to use available financial resources, including tax revenues, to repay bondholders. General obligation bond projects are authorized by voters and are established in ordinance after an election.

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In addition to this direct financial support for the Denver Art Museum, the city’s insurance policies provide several types of coverage for the museum. For example, the city’s fine arts policy covers art at the museum as well as other organizations and locations in the city, such as the Clyfford Still Museum. The city’s property insurance policy covers the museum buildings, and the city provides general and excess liability coverage, as well as coverage for business vehicles.

The museum purchases its own policies, as needed, for other areas of risk — such as workers’ compensation, travel, and traveling exhibits. Each year, personnel in the city’s Cash, Risk, and Capital Funding Division within the Department of Finance work closely with the museum and other cultural institutions in the city to review and renew these coverages.
FINDING 1

The City’s Formal Relationship with the Denver Art Museum, as well as Its Ownership of Some Assets at the Museum, Is Unclear

Officials at the City and County of Denver and the Denver Art Museum each said they have what they believe to be a mutually beneficial relationship. The museum acquires and exhibits the art collections in its care for the benefit of the people of Denver, and the museum is one of international stature.

However, we found the existing agreements between the city and the museum insufficiently document fundamental elements of that relationship — such as expectations, oversight, and property ownership. Additionally, the city has not properly accounted for some of its assets at the museum.

Since the museum’s first agreement with the city in 1932, the museum has evolved from a contractual agency of the city — which likely received full-cost reimbursements — into a more financially independent entity mostly supported by donations. Today, the city still provides some taxpayer funding through making reimbursements for utilities, paying for most insurance policies and some maintenance, and making bond proceeds available to the museum for major renovations or construction.

However, our ability to fully assess the degree to which the city is fully informed of its assets at the museum was limited, because museum officials refused to provide a full digital copy of the museum’s collection management database and because documentation of asset ownership between the city and the museum is vague and incomplete.

The City Attorney’s Office has advised that ownership of assets is a legal determination outside the scope of this report. Consequently, this audit report is not intended to be, nor shall any statements in this report be construed as, a legal opinion concerning ownership of art or assets.

Since the early 1930s, the city has entered into nine agreements with the art museum, as illustrated on page 8 of the Background. We sought to evaluate whether these agreements provided adequate detail regarding roles, rights, responsibilities, and assets for both the city and the museum. Because none of these agreements replaced those that came before, we analyzed all of them to understand the relationship.

We found these existing agreements between the city and the museum are outdated, and after comparing them with similar ones the city has with the Denver Zoo and the Denver Botanic Gardens, we concluded the art museum...
agreements insufficiently document key elements found in the zoo’s and the Gardens’ cooperative agreements.

Each of the city’s nine agreements with the Denver Art Museum say the museum is the city’s “agency” for the arts. However, they lack clarity on the meaning of this status. This is important because different rules and expectations would apply depending on the type of relationship. Because the museum is not a city agency under the mayor, in this report we refer to it as the city’s “agent by contract.”

The museum’s responsibilities vary somewhat across the agreements but generally include acquisition and exhibition of works of art for the city, as well as administration of the museum. Some agreements focus on operations, and some focus on specific capital improvements — such as building, expanding, or renovating museum facilities.

As detailed in Table 2 in Appendix B, four agreements — those signed in 1991, 2004, 2013, and 2018 — describe each party’s roles and responsibilities for bond-funded construction of new spaces and associated funding. Four other agreements — those signed in 1932, 1942, 1953, and 1967 — discuss the need for space to display works of art. As it relates to gallery space, these agreements got progressively more detailed as the parties got closer to building the Martin Building discussed in the 1967 agreement. However, none of the agreements clearly says which party owns the buildings.

Four of the agreements — those signed in 1932, 1942, and 1953 and the 2010 memorandum of understanding — include minimal responsibilities for both parties and vague funding commitments from the city. They also list no required oversight the city must provide. The first three of those agreements imply that the city reimbursed the museum for all its operational and maintenance expenses, with a possible exception for certain payroll costs. As this was decades ago, it is not clear which costs were reimbursed, and there is no detailed documentation of these costs in the agreements.

Meanwhile, we compared these agreements with active agreements between the city and two other cultural entities that also have a contractual relationship with the city: the Denver Zoo and the Denver Botanic Gardens.

**PREVIOUS AUDITS OF DENVER CULTURAL INSTITUTIONS**

This is our first audit of the Denver Art Museum. However, in recent years, we previously audited two other Denver cultural institutions. We audited the Denver Zoo in 2015 and the Denver Botanic Gardens in 2017.

Similar to this audit, for both of those engagements, we reviewed the agreements between the city and the cultural organization as well as certain aspects of each organization’s operations.
The zoo cooperative agreement was signed in 1988 and replaced an earlier agreement. Since then the agreement was amended twice, both times in 2017. The first amendment added a requirement for the zoo to maintain accreditation with a professional organization, while the second one described changes in how the city participates in the zoo’s governance.

The city’s cooperative agreement with the Gardens, signed in 1991, also replaced all previous agreements and has had four amendments. An amendment in 1995 included several changes, such as the city’s participation in the Gardens’ governance, as well as its approval of Gardens events. Another amendment in 2005 clarified procedures for admission receipts, and the last two amendments were related to the financing, construction, and operation of a new parking garage at the Gardens.

Table 1 on the following page lists the major differences we found between the art museum agreements and the zoo’s and Gardens’ agreements. The agreements between the city and the museum lack some key provisions compared to the other two cultural institutions: reporting requirements, city representation in governance, and city review of major documents. The city continues to provide the museum with some reimbursements for utilities, and it pays for most insurance policies, some maintenance, and bond proceeds for major renovations or construction. However, other than bond proceeds and their purpose, specific amounts of financial support from the city are not stated in the agreements, and neither the city nor the museum can rely on this support to stay the same in the future.

The American Alliance of Museums says joint governance models are becoming more common as museums search for successful financial models. However, these models are vulnerable when a relationship breaks down and there are no clear agreements between the parties. Some entities hesitate to propose a formal agreement to their partners, because they are afraid a well-working relationship may deteriorate during agreement negotiations. However, the association says: “This hardly inspires confidence about the stability of the arrangement. Often the best thing a museum can do to ensure that the relationship continues to function smoothly is to capture it in a written legal agreement, enabling both parties to work out, in advance of a dispute, how they mutually want things to function.”

In addition, the city’s Executive Order No. 8 recommends city agencies enter into contract terms of no longer than three to five years, and agencies must justify renewing contracts with the same contracting entity when they do not seek proposals for services in an open market — such as when there is no other service provider or a provider has made a significant investment.

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While outsourcing services to another provider may be impossible and undesirable in regard to the Denver Art Museum, updating the agreements more frequently would be beneficial to both the city and the museum.

Furthermore, this executive order requires that a city agency that enters into a contract designates specific persons or responsible parties to monitor performance under the contract, ensure contract compliance, and document these monitoring activities. The order — developed and recently updated in cooperation with the City Attorney’s Office and other major city agencies —
is the city’s main guidance for contracts, and it emphasizes the importance of good contracting practices for the city.

To determine why the cooperative agreements between the city and the museum are outdated and lack some key elements, we talked with personnel from the City Attorney’s Office and the museum, and we learned that the last time the parties attempted to clarify their relationship and update the agreement was 10 years ago. These efforts resulted in a two-page memorandum of understanding that provided little clarity. A copy of it is provided in Appendix A.

We found the efforts in 2010 were unsuccessful because of several reasons:

• The agreements have not named the party at the city responsible for managing this cooperative arrangement. The city relied on the museum to keep relevant records and operate as the city’s agent by contract. Because of this, the city did not retain detailed information regarding the museum — such as a list of assets, the ownership of assets, or details of annual financial support — and the city did not renew the agreement to include the necessary details and documentation requirements.

• The lack of clarity, as well as funding and operational changes over the years, resulted in conflicting views regarding who owns the assets and the rights and responsibilities of both the museum and the city. For example, although the 1932 agreement says the city shall have access to every part of the museum for supervision purposes, the museum refused to provide the Auditor’s Office with a full digital copy of the collections management database during this audit.\footnote{Museum officials provided auditors with view-only access to all ARGUS records on-site. However, they refused to provide an electronic copy of all inventory records in ARGUS, citing their fiduciary, legal, and professional responsibilities. Partial information was provided in batches and with significant delays. Some items, such as a list of nonaccessioned items, were not provided until after fieldwork ended. The provided records did not include the values of the art. A more detailed description of these restrictions is provided on page 88.}

Because of the long-standing, complex, and to-date mutually beneficial relationship between the city and the museum, both parties have allowed the status quo to continue. Museum leaders said they believe the current agreement adequately articulates and fosters the relationship.

Without clearly defined rights, responsibilities, and asset ownership, the city and the Denver Art Museum may disagree on which of them must cover costs, such as for repairs or insurance in the future. In addition, during economic downturns, such as the 2008 housing crisis or the recession caused by the COVID-19 pandemic, museums or their host governments may be pressed to sell art in a way that is inconsistent with the interests of the city and the museum’s collection strategy.

For example, in 2014, two local art museums were in dispute with their host cities: Detroit and North Miami, Florida. Both disputes were resolved
Without clearly defined rights, responsibilities, and asset ownership, the city and the Denver Art Museum may disagree on which of them must cover certain costs.

Through mediation. When Detroit was in bankruptcy in the early 2010s, some of its creditors argued that part of the city’s collection at the Detroit Institute of Arts should be sold to partially address the city’s liabilities. The Detroit Institute of Arts was able to raise money that it then gave to the city in exchange for transferring the art ownership to the nonprofit running the institute. This was done to help prevent future conflicts associated with economic constraints.

Meanwhile, officials at the Museum of Contemporary Art in North Miami wanted to move the museum into the more affluent city of Miami Beach, and ownership of the art collection was at the center of this dispute. The City of North Miami successfully argued that the Museum of Contemporary Art held the art on behalf of the public and was therefore able to keep most of the artwork in North Miami.12

To avoid such disputes occurring here, the City and County of Denver and the Denver Art Museum should clarify their relationship now through an updated and more detailed agreement that establishes their rights and responsibilities — similar to the city’s agreements with the Denver Zoo and the Denver Botanic Gardens.

RECOMMENDATION 1.1

Develop New Operating Agreement – The Denver Art Museum and the Mayor’s Office, with assistance from the City Attorney’s Office, should develop a new operating agreement that includes clear rights, responsibilities, and asset ownership to address gaps described in Table 1 of this audit report. This agreement should clarify the museum’s role as an “agency” for arts.

Mayor’s Office Response: Disagree

Denver Art Museum Response: Disagree

RECOMMENDATION 1.2

Include City Representation on the Denver Art Museum’s Board of Trustees – The Mayor’s Office should work with the Denver Art Museum to add one or more mayoral appointees to the museum’s board of trustees. This city representation on the board should be a requirement documented in the board’s bylaws.

Mayor’s Office Response: Agree, Implementation Date – June 30, 2022

Denver Art Museum Response: Agree, Implementation Date – Sept. 30, 2021

RECOMMENDATION 1.3

Assign Oversight Responsibilities – The Mayor’s Office should assign and document a responsible agency and individual to manage the city’s agreement with the Denver Art Museum. This agency and individual should be the city’s centralized expert on the museum’s agreements and they should be responsible for overseeing the museum’s use of city funding, overseeing the annual review of city assets at the museum, and reviewing reports provided by the museum.

Mayor’s Office Response: Agree, Implementation Date – June 30, 2021

The City Has Not Properly Accounted for Some of Its Assets Used by or Stored at the Denver Art Museum

As part of reviewing the agreements, policies, and practices between the city and the Denver Art Museum, we determined the city may not be properly accounting for some of its assets at the museum. Although ownership of many assets is not clearly defined in the agreements, evidence suggests some art objects at the museum are owned by the city but are not recorded in the city’s inventory.

To understand how the city accounts for its art assets, we reviewed relevant rules and regulations for financial accounting. Standards published by the Governmental Accounting Standards Board require works of art to be capitalized at their historical value or at fair value at donation — regardless of whether they are individual items or in a collection. The applicable accounting standard specifically encourages capitalizing; however, it is acceptable to not capitalize collections and additions to collections if the collection is:13

a. “Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.”

b. “Protected, kept unencumbered, cared for, and preserved.”

WHAT ‘CAPITALIZING’ MEANS IN FINANCIAL ACCOUNTING

“Capitalizing” means recording the amount paid for an item with a useful life of over a year as an asset and then depreciating the value of that asset over time. In contrast, if an item is not capitalized, the whole amount paid is recorded as an expense for the accounting period when the item was acquired.

c. “Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.”

The standard further says governments should disclose information about their works of art in their financial statements, and they typically do not have to depreciate these works of art.\(^{14}\)

In addition to following the Governmental Accounting Standards Board’s guidance, the city created a Fiscal Accountability Rule for accounting for its capital assets.\(^{15}\) This rule requires the city to capitalize art worth over $5,000. It further says every agency is responsible for managing and protecting its capital assets, and asset custodians are responsible for accurate asset records and for conducting an annual physical inventory of all their assets.

When seeking to determine whether the city accounts for its assets at the museum accurately, we learned from the Controller’s Office that museum staff act as asset custodians and verify the city’s assets at the museum in writing every year as part of the city’s yearly process for the Comprehensive Annual Financial Report. After museum staff verify city-owned items, the Controller’s Office spot-checks the submitted documentation and records these assets in the city’s accounting system, Workday.

However, delegating the asset custodian duties to an outside entity may not fulfill the intention of the Fiscal Accountability Rule, as this outside entity is not bound by all city rules and regulations. For example, the Fiscal Accountability Rule gives each employee “the responsibility to protect and conserve the city’s assets that have been delegated to them.”\(^{16}\) Therefore, a city employee acting as an asset custodian would help ensure better alignment with the city’s interest in preserving and responsibly using taxpayer funds. It is unclear whether the same expectation is applied to asset custodians who are not part of a city agency.

Absent a strong contract that outlines clear rights and responsibilities and absent a city representative responsible for overseeing the relationship, the need for an asset custodian who is a city employee is even more critical.

In the city’s 2019 Comprehensive Annual Financial Report, the city applied the Governmental Accounting Standards Board’s exception to not capitalize its Western History artwork at the Denver Public Library as well as the Clyfford Still collections. These collections are disclosed in the financial report as required, and the city’s reasons for not capitalizing these

\(^{14}\) Governmental Accounting Standards Board, 32.


\(^{16}\) City and County of Denver, Fiscal Accountability Rules.
collections are clearly laid out.\textsuperscript{17}

However, the annual financial report does not mention any works of art owned by the city at the Denver Art Museum. In addition, we found the city lists only one art item at the museum in Workday's capital asset list: an installation at the Hamilton Building known as "ENGI." Denver Arts & Venues is the custodian of the city's public art, including ENGI.\textsuperscript{18}

**Art Assets** – When we reviewed the agreements between the museum and the city, as well as the museum's records in its collection management system, called ARGUS, we noted:

- In addition to ENGI, four items were marked as owned by the city in ARGUS, and two of them had been sold. One of these assets was marked as abandoned when we first reviewed ARGUS on May 20, 2020, but it was later reclassified into a long-term loan.\textsuperscript{19}

- Other items in ARGUS appear to belong to the city even though they are not marked as such. For instance:
  - About 90 works of art were donated by one family with the credit line of "to the People of Denver."\textsuperscript{20} However, none of these items is marked as owned by the city in ARGUS.
  - Helen Dill's bequest to the city — which was mentioned in the original 1932 agreement — was partially used to acquire what are now valuable works of art. However, none of these items are marked as owned by the city in ARGUS.
  - According to the 1942 agreement, $1 million worth of art and funding for art purposes belonged to the city at that time and $200,000 worth of art belonged to the museum. However, none of the art records listed in ARGUS with acquisition dates prior to 1942 list the city as the owner.

While it is possible some items acquired before 1942 have been deaccessioned in the time since, it is unlikely that every single item owned by the city at that time has been deaccessioned. Even though the museum continued to be defined as the "agency" of the city in regard to acquiring the city's works of art, ownership of items acquired after the 1942 agreement remains uncertain.


\textsuperscript{18} Denver Revised Municipal Code § 20-85 through 20-89. City ordinance established and implemented a public art program for Denver. This program requires certain capital projects with a cost of over $1 million to have 1% of the cost allocated to public art, which must be at or adjacent to the project. The director of Denver Arts & Venues is responsible for implementing this program.

\textsuperscript{19} We could not determine when it was reclassified as there is no audit trail in ARGUS, but a museum employee said on June 15, 2020, this item was reclassified.

\textsuperscript{20} The "credit line" field shows the source of artwork or funds to acquire artwork through gift, loan, bequest, purchase, or accession of abandoned property.
During this audit, museum officials restricted the audit team’s access to ARGUS. We were able to search for indicators of potential city ownership of assets while reviewing ARGUS records on-site. However, we could not analyze these records without the ability to easily sort and summarize information within ARGUS while working on-site. Museum staff did not provide us with a list of deaccessioned items and items removed from the museum until after our audit fieldwork ended. These lists may have helped us identify additional items the museum acquired before 1942.

The museum digitized its catalog between 1989 and 1990; however, not all items deaccessioned or removed from the museum before then have been added to ARGUS. Therefore, to get the full list of items acquired before 1942, a full review of paper files and electronic records is required. The audit team did not review paper files because of the significant time requirements for such testing, and we also could not verify the reliability and completeness of these old records and any details on ownership they may contain.

**Other Assets** – In addition to reviewing the city’s accounting for art assets, we obtained a list from Workday of all other city assets at the museum. This list had three assets — two of which did not have a clear description, but Controller’s Office’s staff said they were the Hamilton Building and a Hamilton Building improvement. Neither the city nor the art museum could clearly identify what specific improvement occurred, and related documentation was not available to review because it is past the city’s record retention period.

In addition to these two assets, we found that the city had capitalized in 2019 a third asset at the museum — about $3 million worth of Martin Building renovations that occurred in 2017. This capital improvement was funded with bonds provided according to the 2013 bond agreement, which says the city will own the asset funded with these bonds. Although the asset name in Workday referred to Martin Building renovations, the funds were actually used for the new welcome center. It is unclear whether this amount and any other funds provided for this building should have been expensed or capitalized because the ownership of this building is not certain. Current museum financial statements show this building is a museum asset, while the city’s financial statements do not include it. When we first asked about this new asset added in 2019, Controller’s Office staff said it was properly capitalized and the building belonged to the city. Controller’s Office staff later changed their opinion and expensed the item before issuing the 2019 Comprehensive Annual Financial Report in summer 2020.

Controller’s Office staff explained that they changed the accounting treatment of this capital improvement payment as part of their annual procedures to review new assets when preparing the city’s annual financial report, which coincided with our audit questions on the same
topic. However, not every asset is reviewed, and the Controller’s Office still relies on custodian agencies — in this case, the Denver Art Museum — to accurately record assets. Furthermore, they did not seek guidance from the City Attorney’s Office about ownership of this asset and instead relied on information from the Assessor’s Office and statements in the agreement about asset maintenance and management responsibilities. This is further evidence of the city’s insufficient oversight over city assets.

Museum representatives said they did not list the art marked as owned by the city in ARGUS on their annual asset list certification because their policy is to not capitalize art. However, this practice contradicts the city’s fiscal rule to capitalize art worth over $5,000 — even though the city has clearly communicated its capitalization rules and asset custodian duties to the museum. In addition, Controller’s Office staff were not aware that the city owned any art at the museum aside from ENGI, so they did not know something was potentially missing.

We concluded all of these issues are caused by the agreements’ lack of clarity on asset ownership. The Controller’s Office’s delegation of the asset custodian duties to museum staff also contributed to the inaccuracies in city’s art asset list and, consequently, the lack of city-owned art captured in the city’s annual financial report.

The city and the museum should both enhance how they document and account for the city’s assets at the museum. Improved documentation and accounting practices — such as consistency in recording assets, a full annual review of the list of city assets at the museum, and having clear information on asset ownership — could reduce the risk of both parties recording the same asset as theirs, and it could reduce the risk that they inappropriately capitalize or, conversely, expense costs.

Inaccurate asset records could result in inaccurate financial statements for the city or the museum. Although the museum does not capitalize art, its financial statements’ assertion that all the art belongs to the museum may be inaccurate. If amounts are material, inaccurate statements could violate financial reporting rules and regulations. Additionally, inaccurate statements could misrepresent either the city’s or the museum’s assets and risks related to those assets — which in turn could impact their ability to issue bonds, get loans, or assess and manage their own risks and make future plans using reliable information.

Again, this lack of clarity on asset ownership could potentially result in disputes over costs or asset ownership. For example, the city and the museum might disagree on which should pay for costly building repairs or insurance or how proceeds from an art sale can be used.
RECOMMENDATION 1.4
Reconcile City Assets at the Museum – The Denver Art Museum and the Controller’s Office should reconcile and document all city-owned assets used by or stored at the Denver Art Museum.

Mayor’s Office Response: Agree, Implementation Date – June 30, 2022
Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

RECOMMENDATION 1.5
Assign City Custodian for Assets at the Museum – The agency that the Mayor’s Office designates to be responsible for museum oversight, as called for in Recommendation 1.3, should assign a city employee as an asset custodian for the city’s assets used by or stored at the Denver Art Museum. This custodian should be trained on asset-related city rules and processes, as well as the city’s agreements with the museum.

Mayor’s Office Response: Agree, Implementation Date – Dec. 30, 2021

RECOMMENDATION 1.6
Improve Internal Controls for Assets at the Museum – The Controller’s Office should ensure adequate internal controls over the city’s assets at the museum. This should include annually verifying that the list of city assets at the museum is complete and accurate. These duties could be assigned to the agency with museum oversight responsibilities or to an individual within the Controller’s Office.

Mayor’s Office Response: Agree, Implementation Date – June 30, 2022

RECOMMENDATION 1.7
Annually Verify Assets – The Controller’s Office should design and implement additional internal controls to verify at least annually that city assets related to entities under agreement with the city are properly recorded. When asset ownership questions exist or transactions have occurred during the year involving a separate entity, the City Attorney’s Office should be consulted to ensure the accounting treatment is consistent with the related agreement.

Mayor’s Office Response: Agree, Implementation Date – June 30, 2022
FINDING 2
The Denver Art Museum Should Strengthen Its Art Inventory Planning and Practices, as well as Its Emergency Response Plans

The Denver Art Museum cares for more than 70,000 works of art across its museum campus and its three off-site storage facilities. At all locations, the museum installs and monitors security controls and environmental conditions required for the works of art under the museum's care. The museum also has policies and procedures to implement physical inventories of its collections, and it has emergency response guidelines to safeguard all artwork, staff, and visitors.

However, we found some of these existing plans are inconsistent with actual procedures, and in some cases, they are inconsistent across documents. Additionally, they lack some key elements recommended by leading practices.

The American Alliance of Museums, formerly known as the American Association of Museums, says it is important for museums with larger staffs, budgets, and projects to ensure that museum activities and priorities are integrated and understood by everyone. The alliance says the time invested in planning increases the effectiveness of the museum’s activities.²¹

We found the Denver Art Museum’s collections management policy and associated inventory guidelines lack relevant information regarding investigating and reporting missing objects, and the museum’s inventory practices could be more strategic.²² Furthermore, we found that the museum's collection management system, ARGUS, lacks an audit trail necessary to ensure data integrity and the security of art collections. The museum should also take steps to further safeguard security badge controls.

As we mentioned, during this audit, museum officials restricted the audit team's access to reports of all ARGUS data. Initially, they provided only a subset of records retained in the database, and additional reports were not provided until after the end of our fieldwork. Some relevant data fields were never provided. This impairment limited the team's ability to conduct risk-based inventory sampling and fully assess the possible impacts of the museum’s approach to physical inventories.

²² The term “missing” is a location code within the museum’s collection management system, ARGUS, and identifies objects that are not found in the location noted in ARGUS.
The Museum’s Collections Policy and Practices Could Be Better Aligned with Leading Practices

The Denver Art Museum’s collections management policy notes that a series of connected policies and associated procedures serve as a guide for staff and related stakeholders, with the museum’s inventory guidelines being one appendix to that collection management policy. However, the policy and associated guidelines do not include relevant information regarding steps museum staff should take to investigate and report missing objects. Nor do they address the physical inventory of objects in collections not accessioned by the museum.

Furthermore, the museum’s policy and inventory guidelines are missing some core elements recommended by leading practices — such as inventory testing using statistically random samples and additional procedures to follow when objects are missing.

**Missing Objects** – When Denver Art Museum staff cannot find an art object in the location noted in ARGUS, the museum’s inventory guidelines instruct staff to immediately update the object’s location in the system to “missing.” They are then supposed to notify the chief curator and the Curatorial Department. The guidelines further say research to locate the object should be ongoing.

However, in practice, museum staff take other additional steps not documented in the policy. For example, when an object is not located during a physical inventory, collections staff take note of the missing object on the inventory checklist and complete the inventory. By completing the inventory, staff might locate missing objects that were incorrectly placed in a nearby location. For objects not found nearby, staff then might research the object’s location history to check where the object was previously or they might contact the individual who most recently updated the object’s location to determine whether that person might be aware of the object’s new location.

We contacted the Seattle Art Museum, the History Colorado Center, and the Fine Arts Museums of San Francisco to understand common practices for labeling and locating missing objects. The History Colorado Center and the Fine Arts Museums of San Francisco each use a label for objects they cannot find. Similar to the Denver Art Museum, the History Colorado Center uses ARGUS’ location code of “missing,” and the Fine Arts Museums of San Francisco uses the location code of “unlocated” in its system.23

By contrast, the Seattle Art Museum previously used the “missing” location code in its collection management system, but museum officials there found this practice problematic. Therefore, the museum no longer assigns that

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23 The Seattle Art Museum uses the collection management system called The Museum System, or TMS, and the Fine Arts Museums of San Francisco is transitioning to TMS from an in-house system it previously used. The History Colorado Center uses the same collection management system as the Denver Art Museum: ARGUS.
location code to objects, and instead, museum staff search for the object until they find it and can reconcile their records.

The Denver Art Museum has records of objects that museum staff have not been able to locate for years, and our research found this is not unusual. Generally, the museum’s records are categorized into two groups: “missing” and “no location data.” “Missing” is the location assigned to objects that are not in the location noted in ARGUS, while “no location data” is the location assigned to objects that never had an actual location in ARGUS.

Before the museum converted to an electronic collection management system between 1989 and 1990, museum departments maintained their own records with catalog cards. Records were entered into the new system even if the catalog card indicated the object was missing years before the conversion. Because these objects have been missing for at least 30 years, we excluded them from further analysis. Museum staff said some objects have a current location of “missing” because the exact location of the box the object is stored in is unknown.

In advance of a construction project at the Martin Building in 2018, museum staff moved about 50,000 objects into a secure off-site storage facility. Bar codes, used for location updates, were not affixed to some boxes of objects when objects were moved. Because of tight deadlines, the location discrepancies were not addressed at the time but are being reconciled as boxes are returned to the museum from storage and unpacked. Museum staff said it is time-consuming to find missing objects off-site, but objects are found almost every day as boxes are returned from storage back to the museum.

Because the museum refused to provide the full ARGUS database, over a two-month period we received selected data fields for objects in 11 of the 14 legal statuses used at the museum. We reviewed all records we received of objects without a current known location. Objects made of multiple parts require a record for both the whole object and each part. When accounting for both whole object records and parts of objects, the total number of records in the collections we evaluated is more than 100,000.

As the museum provides the highest level of care for its permanent collection, we also analyzed the objects labeled “missing” in this collection, which represents about 90% of all object records. In the permanent
collection, we found 382 whole records and 510 records for whole objects and parts of objects labeled “missing.”

According to museum leadership, staff reconcile missing objects with objects assigned a temporary identification number. A temporary identification number is used for objects that museum staff find in the collection — those that do not have an assigned or recognizable inventory number or those that do not match existing records. After the museum finishes moving all objects from the secure off-site storage facility next fall and after all move-related objects are reconciled, any remaining missing objects will be considered lost.

However, we identified 408 object records that were labeled “missing” even before the construction move. The museum did not provide the value of objects on the reports and delayed providing some data until we concluded testing, so we could not conduct risk-based analyses to identify the total dollar value associated with these items labeled as missing.

Several federal agencies and other authorities on inventoring museum collections offer guidance on inventory best practices:

- The U.S. Government Accountability Office, or GAO, says policies and procedures should typically pertain to all aspects of the inventory process — including the activities or tasks that take place before, during, and after the physical inventory of objects. These policies and procedures typically include the objectives of the count, the types and timing of counts, and instructions for counting, recording, and researching and adjusting variances.

  The GAO adds that researching the cause and reconciling any differences are essential elements of an inventory. Properly conducted research provides support for adjusting inventory records, identifies the causes of variances, and provides management with information to implement corrective action.

- Meanwhile, legal guidance on museum collections from Smithsonian Books says museums should establish inventory procedures to police collection activities. These procedures usually address several topics, one of which is procedures to follow when collection items appear to be missing.

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24 Sometimes only one part of an object may be missing. In other situations, all parts of the object may be missing. In these situations, both the parts of the object and the whole object would be marked as “missing,” which means that some objects may be double-counted. Auditors did not attempt to identify the precise number of whole objects or parts without duplication, as it was of limited value for our audit.


• In its guidance for inventorying museum collections, the U.S. Department of the Interior says reconciling inventory should entail investigating any discrepancies found during an inventory and resolving them to the extent possible. The federal agency says this reconciliation should occur by the end of the year in which the inventory was conducted.\textsuperscript{28} Additionally, the Interior Department says a special inventory may be conducted when a number of museum objects are unaccounted for or a significant loss occurs.\textsuperscript{29}

• Finally, as soon as possible after its staff discover an item is missing, the National Park Service requires staff to alert law enforcement. A delay could jeopardize the ability to reclaim the object if it is later found. The more widely a loss is reported, the better chance that it will be recovered.\textsuperscript{30}

The park service’s museum handbook also says inaccurate locations and missing objects are examples of inventory deficiencies, and park leadership are supposed to correct any problems that the inventory uncovers to reduce the risk of future problems.\textsuperscript{31}

As the Denver Art Museum evaluates its policy regarding investigating missing objects, these leading practices should be considered to ensure that the museum is able to demonstrate with certainty that an object is missing and that staff make reasonable attempts to retrieve the object. The guidance on museum collection management published by Smithsonian Books says that reasonable attempts to retrieve objects are required for proper collections management.\textsuperscript{32}

\textbf{Nonaccessioned Objects} – Museum staff frequently store items from the nonaccessioned collection alongside objects from the permanent collection, so nonaccessioned objects are typically included in the museum's physical inventories of its collections. However, the museum’s inventory guidelines say only objects in the permanent collection and objects on loan to the museum are subject to inventory.

Museum leaders said the reason for this discrepancy between the collections management policy and the museum’s activities is that they intend for the policy to be less detailed to provide flexibility to museum staff. Additionally, the policy’s focus on permanent collection inventory practices is because it is the museum industry’s practice to apply higher standards for the care and maintenance of permanent collection objects.

\textsuperscript{29} U.S. Department of the Interior, 8.
\textsuperscript{31} National Park Service, 163.
The GAO says policies and procedures are the basis for training and guiding employees, and written policies and procedures help ensure consistent and accurate compliance with and application of procedures. Further, Collections Trust — an international organization focused on museum collection management procedures — notes that museums should have a policy on how inventory information is maintained for all objects in the museum’s care; it can be either a standalone document or part of a wider collections management policy.

Without policies and procedures that define all steps taken to locate missing objects and that define the inventory of the nonaccessioned collection, the museum cannot ensure personnel adhere to established current practices. As a result, personnel may not be able to locate all objects in the museum’s care when needed — nor can they produce an accurate list of objects in a particular location, if needed for an audit or insurance claim.

Furthermore, if the necessary steps are not fully documented in a policy or procedure, the museum cannot ensure staff can complete consistent and prompt investigations into missing objects. The GAO says, as more time elapses between the discovery of a missing object and researching the error, it becomes more difficult to identify the cause.

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**Prompt research of inventory variances is key, because identifying the cause becomes more difficult as time passes.**

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‘NONACCESSIONED COLLECTION’ STATUS

“Nonaccessioned collection” status is given to works of art that are not relevant to the museum’s stated collecting mission, and these objects can “be used for unrelated use, such as future sale or exchange.”

By comparison, “permanent collection” status is given to works of art within the museum’s collecting mission. They receive the highest professional standards of care.
RECOMMENDATION 2.1

Update Policies and Procedures to Document Current Practices – The Denver Art Museum’s Exhibition and Collection Services Department should update the museum’s inventory guidelines appended to its collections management policy or create separate procedures to document the museum’s current practices related to missing and nonaccessioned collection objects.

Denver Art Museum Response: Agree, Implementation Date – Sept. 30, 2021

RECOMMENDATION 2.2

Update Policies and Procedures to Strengthen Oversight of Missing Objects – The Denver Art Museum should update the museum’s guidelines appended to its collections management policy or create separate documented procedures to strengthen its oversight of missing objects. Additional policy or procedure elements should include a process for analyzing missing objects to identify trends as well as standard steps for investigating and resolving missing objects.


Inventory Practices Do Not Guarantee All Objects Are Inventoried

The Denver Art Museum’s collections management policy says the Collections Management Division is responsible for implementing a regular inventory program. It emphasizes the importance of that program by saying: “A current, reconciled inventory of the collections is the primary tool for maintaining accountability and providing access to the collections. A regular, periodic comparison between electronic records and the physical collections is necessary for prudent collections management.”

Although we found museum staff did conduct a physical inventory of a significant portion of the collections for which we received reports, some objects have not been inventoried in more than 10 years.

To test the reliability of the current locations for objects at the museum, we conducted inventory testing by selecting a statistically representative sample of the museum’s permanent collection objects to trace between exhibit and storage areas and the ARGUS database. We also analyzed the date that permanent collection objects

INVENTORY TESTING AND SAMPLING METHODOLOGY

Reference Appendix C for further details on our inventory testing methodology and results.
and other collection objects for which we had data were last inventoried, and we reviewed the museum’s documentation for its inventory planning and practices. Because museum officials did not provide reports reflecting other collections we requested — such as nonaccessioned objects — until after the conclusion of our audit fieldwork, we focused on the permanent collection data we received.

**Inventory Testing** – When seeking to locate selected objects within our sample of 177 objects, we initially could not find two items because of incorrect data in the museum’s database; however, they were ultimately found.

The data in ARGUS said one object was in the Hamilton Building, but we could not find it there. Later, we saw the object in storage in the Martin Building, consistent with a prior location listed in ARGUS. We could not identify why the report downloaded from ARGUS reflected an object location different than the one we viewed in the ARGUS database several days later, and museum staff could not explain the cause of this discrepancy. Regardless, the object was found in the location noted in the ARGUS system, and we identified no further indicators of report reliability issues.

For the second object we could not initially locate, the issue was specific to the object location noted on the report provided by the museum. According to museum personnel, the location code was incorrect because of a known issue with some bar-code scanners the museum uses for inventory. The scanner can insert inaccurate characters, such as a dollar sign, where the location information should be. The museum’s technology department attempted to rectify the bar-code scanner data errors; however, the problem persists. Museum staff said they try to identify errors in the bar-code file before updating a location in ARGUS, and they consider those efforts to be mostly accurate.

**Inventory Date and Documentation** – As mentioned, the more than 70,000 works of art in the Denver Art Museum can be made of multiple pieces, and the museum creates records for the whole object and its associated parts. As a result, the total number of records maintained in ARGUS is more than 100,000.

Although our analysis of ARGUS object records for the 11 legal statuses we received information for found that only about 3,500 objects — or about 3% — have not been inventoried in at least 10 years, we found that in 2017 and 2018 alone, locations were updated for more than 51,000 object records. While the museum updated the locations of a significant number of records within these two years, this coincides with the move of objects for construction. Strategic inventory planning could enable the museum to maintain such progress going forward, absent the efforts required for the recent construction project.

The museum’s collections management policy explains generally the types of inventories for art collections and how often they should occur.
For example, according to the policy, “gallery” inventories are normally conducted quarterly or with each exhibition rotation, “spot-check” inventories are conducted on a regular basis as needed, and “sectional” inventories are performed on an ongoing basis. More specifically:

- **Gallery inventories** occur when an exhibition is installed and removed. They typically involve about 300 objects, although exhibit sizes may vary. The purpose is to verify an object’s location.

- **Spot-check inventories** are done of objects recently moved to a new permanent location. They usually include a few hundred objects, with the purpose of verifying an object’s location.

- **Grant-funded inventories** are large-scale endeavors of thousands of objects in a collection storage area. The purpose is to upgrade storage and verify location.

- **Sectional inventories** are large-scale endeavors of thousands of objects in a certain collection or storage area. The purpose is to identify locations and ensure care of the collection, such as updating photographs or flagging objects for conservation.

To accommodate the Martin Building renovations, Denver Art Museum staff packed and moved thousands of objects to alternative storage areas. As a result, the museum’s recent inventory practices were largely focused on the objects being removed before construction and then spot-checking the objects returning to the renovated spaces.

Guidance on museum collection management published by Smithsonian Books notes that routine spot-check inventories are effective to deter theft, but we found the Denver Art Museum did not conduct additional inventories of other parts of its collections using randomly generated lists of the objects to be located.36

According to the National Park Service, a statistically random sample may be used when conducting spot-check inventories to indicate accountability over the full collection. If every object from the random sample is located, then it may be assumed that all objects in the collection can be located.37 Museum personnel said their efforts were so extensive that staff could not accommodate separate inventory projects. They also said no funds were available this year to go beyond the spot-checks they did on all objects returned from off-site storage.

The museum’s inventory planning is part of its annual work plans and is largely based on available funding and museum activities, such as planned exhibitions or major moves. We found the annual work plans do not address long-term strategic inventory goals or a risk-based approach to conducting

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inventories — such as requiring more frequent inventories for high-value or easily misplaced objects and less frequent inventories for less vulnerable objects. The museum’s work plans for the 2019 through 2021 fiscal years reflect planned activities, goals, and grant projects, and they also discuss objects being moved either because of construction or exhibitions. The work plans recognize impacts to the museum caused by construction moves, and they include additional procedures required because of the COVID-19 pandemic.

When we requested documentation of inventory plans from the museum, we received two inventory schedules that align with the realities of an art museum undergoing construction with planned art exhibitions, grant obligations, the movement of objects from off-site storage, and spot-check inventories of on-site storage areas.

The first inventory schedule begins with June 2020 and continues through May 2022, and it calls for spot-check inventories as recommended by leading practices, but the schedule does not include a risk-based approach to physical inventories — such as more frequent inventories of high-value objects or detailing the number of objects to be inventoried over a designated period of time.

The second schedule we received from the museum — a schedule of sectional inventories that was also recently created — shows when sectional inventories were previously completed in on-site and off-site storage spaces and when sectional inventories are scheduled in these storage spaces through 2022. The schedule details these inventories by storage area and by curatorial department.

Museum staff said dividing physical inventories this way allows them to conduct smaller inventories over time to effectively complete a sectional inventory of an entire storage area. For example, staff may complete smaller spot-check inventories that together will ultimately equal a sectional inventory. Over time, the completion of many sectional inventories could effectively result in a full inventory of the museum’s collection, known as a “wall-to-wall” inventory.

Because a sectional inventory may include thousands of objects and take several months to complete, the museum’s sectional inventory schedule incorporates some strategic planning based on the individual collections and storage areas. However, the document reflects a narrow time period through 2022, and neither the sectional inventory schedule nor the spot-check inventory schedule prioritizes projects on a rotational schedule as described in the policy from the National Museum of American History.38

A “cyclical” inventory would be conducted according to a predetermined schedule, as illustrated in Figure 6 above.39

Denver Art Museum staff acknowledged a full inventory of its entire collection is necessary to do, and they said it is achievable if it is accomplished over a period of 10 years.

Collections Trust, the international organization focused on museum collection management procedures, establishes a minimum requirement that the current location of every object should be known, so objects can be found when needed and an accurate list of objects in a given location can be produced for an audit or insurance claim.40 The organization also notes that on occasion, “it is necessary to audit an entire collection over a period of time to ensure all information is correct and up-to-date.”41

The time and resources required to complete an inventory of museum collections means it is not feasible to complete a full inventory every year.

Additionally, the National Museum of American History has in its own policy that collection inventories should be guided by a two-part, sequenced policy for gaining control and accountability. The policy explains that full inventory control of a collection is established through prioritized projects. Inventory control is then verified on a rotational schedule through cyclical spot-check inventories completed over a five-year period, unless another schedule is established and documented.

Three other art museums — the Seattle Art Museum, the Fine Arts Museums of San Francisco, and the Asian Art Museum of San Francisco — told us a full inventory of their museums’ collections is conducted about every 10 years. They use the 10-year comprehensive inventory cycle because the time and resources required to complete an inventory of museum collections means it is not feasible to complete a full inventory every year.

The guidance published by Smithsonian Books says periodic comprehensive inventories are usually addressed in a museum’s inventory procedures. However, Denver Art Museum officials said their collection management policy is intended to be a more high-level document that focuses on the permanent collection, while inventory planning is part of the museum’s annual work plans.

But planning inventories on a year-by-year basis does not support a strategic approach to physical inventories in a cyclical pattern over a determined period of time, as the National American History Museum recommends. Additionally, while the Denver Art Museum’s focus on moving art objects out of and back to the museum reduces the time and staff resources available for additional inventories, the use of random sampling could indicate accountability for the entire collection.

Periodic comprehensive inventories reduce the risk that inventory processes are functioning incorrectly. The Denver Art Museum’s lack of long-term, strategic inventory planning that addresses goals and includes a risk-based approach to conducting inventories means staff cannot ensure all objects in the museum’s care are inventoried periodically, that records are accurate, and that staff have consistent access to objects when they need them.

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RECOMMENDATION 2.3

Update Formal Strategy for Collection Inventories – The Denver Art Museum’s Exhibition and Collection Services Department should update its current strategy for conducting inventories of the museum’s art collection that:

- Identifies the museum’s priorities for physical inventories.
- Identifies those parts of the collection that have not been inventoried in more than 10 years.
- Includes an inventory schedule that allows as comprehensive an inventory as possible of all objects in the museum’s care within a stated time frame.


Gaps in the Museum’s Segregation of Duties and Collection Management System May Limit the Museum’s Ability to Prevent and Detect Missing Objects

We found the Denver Art Museum does not segregate key duties among its staff responsible for managing artwork and those with access to modify or delete records in the collection management system, ARGUS. According to the GAO, policies and procedures establish the control activities “to achieve objectives and respond to risks” in an organization’s information system.46 For example, by segregating the duties of staff, an organization may reduce the risk of fraud, waste, and abuse. When segregating duties is not feasible, then alternative internal controls are necessary to address the risk.47

Everyone responsible for managing the museum’s artwork — including curatorial, conservation, registrar, exhibition, photographic services, and collection management personnel — has access to collections storage areas. Additionally, they can all modify records and mark an object as “missing” in ARGUS. Five full-time registrars also have the ability to delete object records.

Furthermore, we learned that the ARGUS database system requires museum staff to manually enter their initials to indicate the user who updated an object location in ARGUS; however, there are no controls that prevent a user from entering another user’s initials. Staff can also modify location data previously entered by other users, including the date of a location update — so there is no guarantee the location data and user initials are accurate.

This presents a risk, because Collections Trust notes that some thefts occur in museums by those trusted to care for the collections — including by those with access to modify relevant records. Therefore, records should be as tamper-proof as possible. According to the GAO, those with physical custody of an asset should not also process, record, or approve transactions. If segregating these duties is not practical, then management should take other steps to mitigate risks.

In addition to this lack of segregation of duties, we found there is no audit trail of user activity within the current version of ARGUS used by the museum, which would track who accessed the museum’s collection management system and what the user did during a given period. A secure system ensures that the data it contains is valid, which means it is protected from deletion and corruption.

The National Institute of Standards and Technology — a laboratory and nonregulatory federal agency within the U.S. Department of Commerce — says audit trails help system administrators ensure “the system or resources have not been harmed by hackers, insiders, or technical problems.” The guidance published by Smithsonian Books further explains that record management systems should provide security for record integrity.

A security overview published by the computer technology company Oracle notes that without a reliable way to monitor operations, system administrators cannot hold individuals responsible for their actions.

We found that while other art museums similarly allow their staff with access to modify records to also access collections storage, they implement additional safeguards to mitigate risk. For example, we learned the Seattle Art Museum disabled the “missing” location code in its collection management system as a way to ensure more accurate record keeping. The museum found the “missing” designation to be potentially problematic when objects were marked as “missing,” rather than staff conducting the appropriate research to correct the error.

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Meanwhile, the Fine Arts Museum of San Francisco is the only museum among those we contacted that implemented a clear segregation of duties. It hired a dedicated system administrator who does not have any collections-related duties and is unlikely to have access to the museum collections.

These deficiencies in the Denver Art Museum’s ability to prevent and detect missing objects are because of limited capabilities in the version of ARGUS the museum uses and because of a lack of mitigating controls among museum personnel. Specifically:

- ARGUS does not support an audit trail of user activity. However, this functionality is available in a version the museum was testing before the COVID-19 pandemic. Museum officials said they will evaluate whether to enable this feature.
- ARGUS does not have a built-in capability for second-level reviews of modifications or deletions of system records, which could detect or prevent inappropriate changes to data.
- The museum has also not implemented detective controls, such as periodically reviewing objects labeled “missing.” Museum officials noted that staff receive background checks and they said the absence of prior incidents suggests no need for additional controls.

The museum’s inadequate segregation of duties and limited database security controls inhibit the museum’s ability to monitor system users’ activities, identify patterns related to missing or deleted object records, and ensure the reliability of data in the collection management system.

**RECOMMENDATION 2.4**

**Strengthen System Controls** – The Denver Art Museum’s director of technology and its Registrar’s Office should update the ARGUS database to the version with audit trail capabilities, or they should restrict user access to delete object records and require and document a periodic review of objects marked as “missing.”

**Denver Art Museum Response: Agree, Implementation Date – Jan. 31, 2023**

**One Security Badge’s Expiration Date Did Not Comply with Museum Policy**

The museum uses an ID badge access control system to program individual employees’ badges with the appropriate access for that person’s role and duties at the museum. However, in our review of employee badge reports, we found the museum’s “staff collections” badge was active until 2022 — which is a longer time frame than the museum’s security policy allows.
While the “staff collections” badge is not assigned to a person who requires annual background checks, there is a risk that existing processes may result in other employee badges being active for longer than allowed.

We requested and evaluated documentation of all museum staff with badged access to collections storage. We asked museum security about the purpose of this “staff collections” badge and how long the badge is active. Museum security explained supervisors can request this badge for their staff to obtain for limited use. Museum staff can then check out the badge from a security lockbox, and their information is logged by security staff.

According to the museum’s security policy, the staff access badges—including this “staff collections” badge—should be issued for one year, and expiration dates are printed on the badges. We learned that museum staff manually input the badge expiration date when a new badge is issued. Before a badge expires, museum staff complete an annual background check. If the background check is not complete by a badge’s expiration date, then the badge stops working.

At our request, museum security reviewed the “staff collections” badge in the access control system and confirmed the badge did not expire until 2022. After displaying the original badge to the audit team, security staff corrected the issue by replacing it with a new badge that reflects an updated expiration date of 2021. Because of museum restrictions in place due to the COVID-19 pandemic, the audit team could not observe the destruction of the old badge; however, we did observe the new badge that now aligns with museum policy.

Museum officials said they run monthly reports to identify badges that will soon expire, but staff have not been directed to generate and review reports to find badges that are active longer than allowed by policy. Even though the badge we identified does not belong to an individual, the manual entry process used to assign an expiration date applies to all staff badges.

If the museum is unable to ensure badges are active for only one year as allowed by the museum’s security policy, then the museum cannot complete annual background checks of staff as required by policy for obtaining badged access to the museum.
RECOMMENDATION 2.5

Implement Additional Badge Controls – The Denver Art Museum’s Protective Services Department should implement an automated control to ensure badges cannot be valid for more than one year, or the department should establish a requirement for an annual review to identify and deactivate security badges that are active beyond the allowable period. The results of this review should be documented.


The museum should be doing more to ensure it is adequately prepared to protect staff, visitors, and the art collection during an emergency or disaster.

At the beginning of our audit, museum officials requested we review their emergency preparedness. As such, we compared their emergency plans and practices against leading practices. We found that although the Denver Art Museum is moving in a positive direction by ensuring it has emergency plans and practices in place to prepare for hazards and unexpected events that could potentially threaten the museum, the museum’s emergency plans and practices lack some key elements recommended by leading practices and some emergency guidance provided to museum staff is inconsistent.

According to the Denver Office of Emergency Management and Homeland Security, the City and County of Denver is considered a high-threat, high-density urban area susceptible to different types of natural or manmade hazards — such as disease outbreaks, bioterrorism, flooding, severe weather, power outages, theft, and vandalism. Having an emergency response plan and the staff in place to execute it is an important step for protecting the museum’s cultural heritage collections against potential disasters and other events. For example, in December 2018, the museum was vandalized, causing nearly $100,000 in damage to the art collections, and last year, the COVID-19 pandemic forced the museum to close for several months beginning in March 2020.

Despite changes in the emergency management staff over the past few years, the Denver Art Museum has remained proactive at updating and improving its emergency plan. The new director of protective services, who recently assumed the emergency management role, continues the practice of regularly reviewing and updating the plan — a practice set by the previous director who managed the emergency management program for almost a decade. This practice involves reviewing the plan annually and

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55 The position of director of protective services was created in 2019, when the director of security and facilities announced their retirement.
updating it based on new, emerging threats that could potentially impact the museum. The director of protective services most recently updated the plan in August 2019, and the museum plans to update it again in 2021.

The museum does not have to comply with a city executive order that requires city agencies under the mayor to prepare emergency plans.56 The city also does not routinely oversee or provide input to the museum on its emergency planning and activities. However, the museum uses the city’s emergency plan as a guide and consults with city officials to ensure the museum’s plan is consistent. The city’s executive order instructs agencies on how to implement the citywide emergency operations plan, and it stipulates that that plan will serve as a foundation for when agencies develop their own emergency plans.57

The museum also considers guidelines published by organizations such as the American Association of Museum Directors, the American Alliance of Museums, and the International Foundation for Property Protection when developing its emergency response plan and practices.58

The Museum Lacks Several Practices and Documents Key to Emergency Planning

Leading practices from both government and museum-industry sources recommend standards and practices relevant to emergency management programs at museums. For example, the Colorado Division of Homeland Security & Emergency Management provides general guidance for emergency managers to identify gaps in emergency plans and programs, while the American Alliance of Museums provides guidance that reflects museum standards and aligns with the requirements of museum accreditation programs.59

Our analysis of these standards revealed areas where the Denver Art Museum can improve its emergency planning. As shown in Figure 7 on the following page, the museum should aim to have a comprehensive plan that aligns with standards and leading practices, which guide the museum toward effectively serving as a caretaker of cultural and historical property.

The Denver Art Museum’s emergency plan and practices lack some common elements of emergency planning.

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57 Exec. Order No. 85A, City and County of Denver (2018), accessed July 29, 2020, https://www.denvergov.org/content/dam/denvergov/Portals/executiveorders/85A-Promulgation-CCD-Emergency-Operations.pdf. Exec. Order 85A is a component of Executive Order 85 that established the policy that city agencies should prepare and keep current agency-specific emergency plans and procedures that cover preparedness, protection, prevention, mitigation, response, and recovery activities that are appropriate for the agency's mission.
58 The American Association of Museum Directors and the American Alliance of Museums are both accrediting organizations that establish guidelines for museums to follow. The International Foundation for Cultural Property Protection is recognized as the global authority on cultural property protection, professional standards, training, and certification.
We will now discuss each of these gaps in greater detail.

**Planning Team** – Although the Denver Art Museum involves staff in its emergency planning, it has not organized a planning team when preparing and updating the emergency response plan and related documents. The American Alliance of Museums’ guidance recommends using a planning team that represents various perspectives in the organization, including senior officials. This team concept engages staff so they are knowledgeable and empowered, resulting in a more comprehensive plan.\(^6\)

Additionally, federal emergency management guidance considers planning teams useful for determining the format of an emergency operations plan.

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identifying critical tasks or functions, and assigning responsibility.\textsuperscript{61}

Although the museum's emergency planning process includes different perspectives from various departments, the departments work independently to review and update their plan components. The director of protective services said departments seek input from their own subject-matter experts. For example, the Exhibitions and Collection Services Department develops the collections emergency plan and solicits input from experts in various specific divisions, including Collections, Conservation, and Exhibitions. Although independent reviews by departments' subject-matter experts can be invaluable to a plan's development, the museum's siloed process could be counterproductive to developing a comprehensive emergency plan.

**Formal Risk Assessment** – Various federal agencies and other leading sources — including the American Alliance of Museums — recommend that museums perform risk assessments to identify and document risks and hazards.\textsuperscript{62} The U.S. Department of Homeland Security considers conducting a risk assessment the first step to developing an emergency response plan, and the Federal Emergency Management Agency outlines four basic components of a risk assessment: identifying hazards, profiling hazard events, inventorying assets, and estimating potential human and economic losses.\textsuperscript{63}

The Denver Art Museum does not have a formal risk assessment document that outlines these components. However, auditors noted areas in the emergency response plan that address risk management. For example, the crisis communications plan says identified risks should be assessed and included when the plan is reviewed annually. To help minimize risks to art objects, the collections emergency plan — another appendix to the primary emergency response plan — has pest management guidelines and inventory protocols for maintaining an accurate inventory in ARGUS. It also has a recovery and evacuation plan that lists evacuation priorities for the art collection.

Although implementing measures to minimize risk is an important component of emergency planning, it is not as rigorous as a formal risk assessment — which involves evaluating the probability of an emergency occurring and assessing potential human and economic losses based on exposure to hazards.

**Introductory Components** – The museum’s emergency response plan also lacks several supplemental components that leading practices

\begin{itemize}
\end{itemize}
recommend should introduce such a plan. These components can enhance accountability and ease of use. For example:

- A public declaration letter, or promulgation document, gives the plan official status by officially announcing the plan. This document allows senior officials to affirm their support for the emergency plan, and it gives organizations the authority to perform their tasks and affirms their commitment to training, exercises, and plan maintenance. The Denver Art Museum’s plan does not include this component, nor does it officially announce the plan’s importance. The last page of the museum’s plan does commit departments to coordinating a plan review and participating in training and exercises, but its placement at the end of the document makes it easy to overlook.

- A plan development and maintenance section would describe the museum’s overall approach to the planning process, identify the participants in the process, assign roles and responsibilities, and specify how plan development and revisions are coordinated. It should also specify a regular cycle of training and timelines for reviews and updates of the plan. The American Alliance of Museums recommends regularly reviewing and revising emergency response plans, especially when changes occur. Although museum officials said they conducted an annual review in August 2019, they did not have written policies or procedures in the emergency response plan to outline their process for maintaining the plan.

Officials also confirmed the museum’s board of trustees does not review or approve the emergency response plan. According to the Association of Art Museum Directors, an emergency plan should be approved by a museum’s board along with other governing policies — which is consistent with a board’s governing authority to ensure prudent oversight and professional standards and practices that inform and guide museum operations.

**Formal Agreements** – The Denver Art Museum does not have formal agreements with local emergency responders and disaster services. The Colorado Office of Emergency Management recommends establishing agreements — such as memoranda of agreement or standing contracts — before an emergency or disaster, because such agreements guide the development of relationships and clarify expectations by laying out ground rules for a cooperative effort. By having standing contracts or agreements for necessary assistance, supplies, equipment, and other emergency

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resources in advance of an emergency, the museum could ensure it fully manages and tracks resources and receives the assistance it needs.67

**Continuity Plan** – Auditors found the museum also does not have a continuity of operations plan that would provide a clear road map to identify and continue essential functions during and after an emergency or disaster. Although the museum has no formal continuity plan, we identified areas in the emergency response plan that document steps museum officials should take to minimize disruption during an emergency.

For example, the plan describes emergency backup generators that should automatically switch on to keep critical systems running — including lighting, fire, and security access systems. Additionally, we were told that during the recent museum closure caused by the COVID-19 outbreak, staff in the Collections Division carried out essential activities to protect the art collection, even though formal procedures were not in the emergency plan when the pandemic began. They monitored climate systems, modified lighting, and maintained the art galleries to prevent pests and mold and to remove dust. The museum revised the collections emergency plan in August 2020 to include pandemic procedures.

Guidance from the Federal Emergency Management Agency says continuity planning is integral to emergency preparedness, because it aids in continuous performance of essential functions when normal operations are disrupted.68 Elements of a continuity plan include identifying and prioritizing essential functions, identifying continuity facilities, managing vital records, and assigning appropriate leadership and staff.

**Accessibility** – Although the museum has procedures for individuals who need assistance evacuating during an emergency, the museum’s procedures are missing the necessary detail for how it will accommodate individuals who speak various languages or who have an accessibility need because of a physical or cognitive disability. For example, the emergency response plan instructs museum staff to move people that need special assistance to the nearest stairwell and remain with them until they can be safely evacuated. Evacuation training materials also instruct staff to stay in the stairwell with the individual until help arrives.69 The director of protective services told us the museum has alarms and strobe lights to aid individuals who are hearing- or visually impaired.

However, the museum lacks adequate detail in its emergency preparedness documents regarding how it complies with provisions in the Americans with Disabilities Act and how it addresses accessibility needs when planning for emergencies. For example, it is not evident in the museum’s emergency plan

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69 Visitor operations staff receive training twice a year.
and practices whether the museum considers during emergency planning all populations that require special accommodation.

The citywide emergency operations plan includes a section requiring agencies under the Mayor’s Office to comply with provisions of the Americans with Disabilities Act in emergency- and disaster-related programs, services, and activities the city provides. This includes programs, services, and activities provided through city contractors, such as nonprofit organizations. The city’s plan also discusses a voluntary and confidential online registry for individuals who need evacuation assistance or notifications, and it also recommends allowing the use of service animals.

The Colorado Office of Emergency Management further recommends conducting emergency planning across all plans and procedures to accommodate individuals who speak various languages or who have varying abilities in terms of sight, hearing, cognitive ability, or physical fitness that may limit how they can receive emergency services.71

**Training** – Auditors requested documentation from the museum to determine the extent to which emergency response training opportunities are made available to staff. The museum provided some information on drills, exercises, and other training carried out over the last few years. However, the museum does not have a written training plan or documentation on the frequency of the drills and exercises, their scope, and staff attendance at those events.

The Colorado Office of Emergency Management recommends maintaining documentation on training — including a training plan and records that describe the frequency and scope of training as well as the personnel trained. A training plan would include operating procedures, exercises to test staff’s knowledge of emergency equipment and their response to the

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plan, and follow-up training to address identified problems or gaps in the emergency plan or procedures.72

- **Drills:** The Denver Art Museum's director of protective services said drills are determined based on the museum's schedule of activities, not on a training plan. Training often occurs when museum operations slow down between exhibitions. As of this audit’s publication, the most recent fire drill occurred in January 2019 in cooperation with the Denver Fire Department.

Another drill was planned for 2020, but it was postponed because of the pandemic. We were told some drills are targeted specifically for security and visitor operations staff, who directly engage and interact with museum guests during exhibitions. However, these drills do not occur regularly and the ability to conduct them depends on exhibition programming and visitor attendance levels.73

- **Exercises:** Over the last three years, the museum planned several training exercises, but it completed only one. The museum's Communications and Marketing Department organized a training exercise in April 2017, which included a full day of tabletop exercises that focused on crisis communications and emergency preparedness. It was provided to leaders across museum departments and teams, including the Protective Services and Facilities Services divisions. However, there is no record of the staff who attended.

Another crisis response exercise was planned for 2019, but it was delayed until March 2020 and then canceled altogether because of the pandemic. As part of its strategy for implementing the August 2019 update of the emergency response plan, the museum intended to hold another exercise so leaders could test their implementation of the plan through emergency scenarios. However, this exercise never occurred.

- **Additional Training:** Auditors learned museum staff have had additional training opportunities, but the museum did not document the frequency, scope, or staff attendance. For example:
  
  - The director of protective services conducts training on the emergency response plan at staff meetings, but they do not track staff attendance at those meetings.
  
  - The director of protective services also said the museum participates in citywide tests conducted by the city, but the director did not recall a citywide test having happened since 2017.
  
  - Several years ago, a few essential museum staff attended


73 A fire drill occurred on April 12, 2018, and an evacuation drill occurred on May 23, 2018.
training events held by the city’s Office of Emergency Management and Homeland Security, including a training and planning workshop about collaborating on long-term training priorities. However, the museum could not provide documentation of whether essential staff participated in subsequent training events held by the city or its partners.

○ In spring 2019, about 100 museum volunteers received a review of emergency procedures, but there is no documentation on the scope and frequency of that training.

Guidance from the Colorado Office of Emergency Management says exercises are necessary for assessing preparedness and identifying gaps.74 Auditors noted the museum took some steps to address gaps identified during some of the museum’s drills and exercises. For example, after the January 2019 drill, the museum implemented the fire department’s suggestions to change an evacuation assembly location and provide more training to staff on evacuation assistance.

Additionally, the museum implemented some of the recommendations an outside consultant made after the April 2017 crisis response training exercise.75 For example, museum staff participated in emergency training and exercises with the city and provided training on evacuations to other museum staff. However, training documentation was insufficient to determine whether the museum implemented other recommendations offered by the consultant, such as that:

- Training include drills every year or twice a year to practice emergency protocols in response to specific scenarios.
- The Protective Services Division continue to coordinate with the Denver Fire Department to plan and conduct a fire drill at least once a year.
- Crisis and emergency management teams support ongoing opportunities for discussions and practice crisis response and recovery — which may include quarterly drills, working lunches, or hands-on exercises.

The consultant also recommended museum officials discuss risks by holding meetings to brainstorm vulnerabilities and hazards that could have the greatest impact on each museum department. The museum developed a task list to coordinate implementation of the consultant’s recommendations. Although the list was a positive step toward tracking the actions taken, the list is incomplete because it does not provide details on what the museum did.

75 The Denver Art Museum hired Nusura, an emergency planning consultant, to design and lead the April 2017 crisis preparedness exercise. Nusura documented its recommendations in an after-action report.
Without a comprehensive emergency response plan that incorporates guidelines and leading practices from leading authorities — such as the Colorado Division of Homeland Security & Emergency Management and the American Alliance of Museums — Denver Art Museum officials cannot assure minimal exposure to risks or that staff will execute an effective emergency response.

Additionally, without adequate documentation of emergency training and staff attendance — including a training plan that documents when drills and exercises should occur — management cannot ensure staff are adequately trained and prepared to respond to emergencies. Such a training plan would enable the museum to systematically test effectiveness and assess needs and performance gaps.

**The Museum’s Emergency Procedures Are Inconsistent across Some Documents**

We found inconsistencies in procedures outlined in the Denver Art Museum’s emergency response plan compared to the emergency procedures guide provided to all museum staff. The 11-page staff emergency procedures guide, also called the “flipbook,” is intended to allow staff to quickly access procedures relevant to various emergencies. While the museum considers the abbreviated format of the flipbook useful for staff, auditors found gaps in that the following potential threats covered in the emergency response plan are not discussed in the flipbook:

- Shoplifting.
- Panic buttons.
- Vandalism.
- Technology and communications failures.
- Civil disturbances and public demonstrations.
- Workplace threats.
- Pandemics.
- Incidents in the Acoma/Martin Plaza.

We also identified inconsistencies between the two documents regarding medical emergencies and active shooter procedures. For example, the flipbook has more detailed instructions that say a trained security supervisor should render first aid during a medical emergency, whereas the emergency response plan includes only a general statement that security should make the initial evaluation and call first responders and that guards are trained in first aid to respond to medical emergencies. Regarding an active shooter emergency, the flipbook includes an additional step about sheltering in place that is not in the emergency response plan.
Consistency in procedures is vital for a successful emergency response. The gaps and inconsistencies across these two emergency response documents are even more problematic because of the museum's inconsistent practices in how it disseminates emergency procedures to staff. Specifically, we were told the flipbook is provided to all museum staff for use in an emergency, while the emergency response plan is confidential and distributed only to leadership.

The emergency response plan describes an “emergency management team” concept that requires forming a leadership team, and the plan outlines the team’s roles and responsibilities for a variety of emergency situations. As a result, the director of protective services restricts access to that plan to only leadership staff because the instructions in the plan include their roles and responsibilities and because the director considers wide dissemination of the plan a security issue. On the other hand, the chief officer of the Exhibition and Collection Services Department makes the emergency response plan accessible to all their department staff.

The Foundation for Advancement in Conservation, an organization that promotes the preservation and protection of cultural heritage, recommends emergency plans be available for all staff to review. Without consistent and complete information on emergency procedures, museum staff may not respond effectively to emergencies and minimize risk.

The lack of key elements and the inconsistency across the museum's emergency response documentation is because the museum does not have clear written policies and guidance about the museum’s processes for revising the plan, for obtaining leadership and board approval, and for record keeping on training and attendance. The U.S. Government Accountability Office says organizations should implement policies and procedures that are periodically reviewed for continued relevance and effectiveness. Documentation should also be required to demonstrate the operating effectiveness of these policies and procedures.

RECOMMENDATION 2.6

**Incorporate Leading Practices in Emergency Response Planning** – The director of the Denver Art Museum should ensure the museum's emergency response plan and processes incorporate practices recommended by leading organizations, as described in Figure 7 of this audit report — including developing a risk assessment and a continuity of operations plan, maintaining records for staff training attendance, and developing a process for the board of trustees to review and approve the emergency response plan.

*Denver Art Museum Response: Agree, Implementation Date – Jan. 31, 2023*

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RECOMMENDATION 2.7

**Reconcile All Emergency Response Documentation** – The director of the Denver Art Museum should ensure museum staff reconcile all emergency response documentation to ensure procedures are aligned and consistent across various documents, including the emergency response plan and the flipbook.

*Denver Art Museum Response: Agree, Implementation Date – Sept. 30, 2021*

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RECOMMENDATION 2.8

**Develop and Document Formal Policy for Plan Development and Maintenance** – The director of the Denver Art Museum should develop and document a formal policy for developing and maintaining the museum’s emergency response plan. This policy should outline a comprehensive approach to revising the emergency plan, and it should:

- Define the roles and responsibilities for developing and maintaining the plan.
- Describe the departments responsible for updating the plan and state their specific responsibilities.
- Describe how revisions should be coordinated across departments.
- Outline a formal review and approval process and review time frames.

*Denver Art Museum Response: Agree, Implementation Date – Sept. 30, 2021*
FINDING 3
The Denver Art Museum Board of Trustees Should Enhance Its Governance Approach

According to its bylaws, the Denver Art Museum Board of Trustees is responsible for the operations, business, and affairs of the museum.

The American Alliance of Museums and the Association of Art Museum Directors each say museum governing boards should be active in overseeing museum operations, plans, and finances — in addition to adopting and updating policies that guide its function. The quality of a governing board is a determining factor in a museum’s success, and each board member has legal and ethical obligations to the organization it serves.78

The Denver Art Museum’s board has 35 trustees — including five officer positions: a chair, two vice chairs, a secretary, and a treasurer. The board operates with nine committees and four community advisory groups. Several committees — the Committee on Trustees, the Executive Committee, and the Finance/Audit Committee — are made up of board trustees, while other committees and community advisory groups include trustees and other members called “nontrustees.” Nontrustees provide value to the committees by lending experience, volunteering their time, reporting information to the board, and adding to the discussion.

Our review of the Denver Art Museum Board of Trustees’ governing activities found opportunities for improvement in three areas:

• The board’s membership does not reflect the diversity of the Denver metropolitan community it serves.

• The board’s practices for attendance, ongoing training, and consecutive term limits do not align with leading practices.

• The board’s bylaws were last revised in 1998 and, therefore, no longer reflect current practices in some areas.

These deficiencies in the board’s governance practices could potentially reduce its effectiveness and diminish the trustees’ ability to fulfill critical oversight duties.

The Board of Trustees’ Membership Could Better Reflect the Diversity of the Denver Metro Area

We compared gender and race demographics of the seven-county Denver metro area (i.e., Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties) against the trustees’ demographic profiles, and as shown in Figure 8, we found the board has fewer women and fewer Hispanic and Latinx individuals than the community it serves.

FIGURE 8. Gender and Race Demographics of the Denver Art Museum Board of Trustees and the Denver Metropolitan Area

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<th>DENVER ART MUSEUM BOARD</th>
<th>DENVER METRO</th>
<th>BOARD VS. RANGE</th>
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<tr>
<td>Other Races/Ethnicities</td>
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<td>3%</td>
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Because of the margin of error, the actual percentage will fall somewhere between the vertical lines. The bar indicates the average.

Source: Auditor’s Office analysis of the board’s composition as of April 2020 and 2019 Denver metro area demographic estimates from the U.S. Census Bureau.

Note: “Hispanic/Latinx” includes individuals with Mexican, Puerto Rican, or Cuban heritage, as well as other Hispanic ethnicities. “Other Races/Ethnicities” includes indigenous people, Native Hawaiians and other Pacific Islanders, and individuals who are biracial and multiracial.

The current composition of the board includes 21 men and 14 women; among them, there are 28 white trustees, three Hispanic and Latinx trustees, two Black trustees, two Asian trustees, and no trustees belonging to other races and ethnicities. Based on our demographic analysis, women should hold three to four more positions on the board than they currently do, Hispanic and Latinx trustees should occupy two to six more positions,
and one to two more positions should be held by individuals who belong to
other races and ethnicities.\textsuperscript{29}

According to the American Alliance of Museums, museum boards tend to
underrepresent their communities more than other nonprofits — likely
because of limited networking. People of color represent about one-third of
the national population, yet they make up only 20\% of museum staffs and
only 9\% of museum visitors.\textsuperscript{30}

**Action Steps for Improvement**  — Based on a survey we conducted of the
Denver Art Museum’s board, a majority of the trustees agree the board’s
diversity can improve. Of 28 survey respondents, 75\% said they believe
the board has sufficient levels of
gender diversity, but only 39\% said
the board is racially diverse. Trustees
responding to the survey had the
opportunity to provide input on steps
the board could take to improve
the diversity of its membership.
The majority of those who provided
input — 59\% — offered thoughts for
improvement or action steps, while
the other 41\% said the board should
continue with its current strategies.

Of the trustees of color who provided a comment, all offered action steps
to improve diversity. For example, some trustees of color believe the
nomination process should be reviewed and made more transparent and
ongoing diversity training and awareness should be implemented.

Several authorities on museum and nonprofit management agree that
museums should reflect the diversity of the communities they serve.
Diversity can include variety in race and ethnicity, religion, gender identity,
sexual orientation, physical or cognitive abilities, age, and socioeconomic
status. Both the American Alliance of Museums and the Colorado Nonprofit
Association say diversity creates accountability, builds a link to the
community, and adds value to a board by increasing innovation, creativity,
and problem solving.\textsuperscript{31}

BoardSource — a national nonprofit organization that offers guidance and
best practices on nonprofit governance — says a board’s diversity is unlikely

\textsuperscript{29} Reference Appendix D for an explanation of the larger margins of error for the “Hispanic/Latinx” and “Other Races/Ethnicities” groups.


Several authorities on museum and nonprofit management agree that museums should reflect the diversity of the communities they serve.

to improve without changing recruiting practices.\textsuperscript{82} BoardSource and the American Alliance of Museums also note that a key element to increasing a board’s diversity is ensuring diverse representation of those recruiting and fostering an inclusive culture.\textsuperscript{83}

In part, inclusivity means ensuring equal access to board leadership opportunities, and focused and disciplined board recruitment means changing the way potential candidates are identified — such as moving beyond personal networks and considering nontraditional strategies, like public postings or contracting with a search firm.\textsuperscript{84} The Colorado Nonprofit Association says: “Given the nature of the [nonprofit] sector, it is imperative the organization works to create equitable, diverse and inclusive environments.” Further, a commitment to diversity and inclusivity are fundamental in advancing the mission of an organization.\textsuperscript{85}

Within the Denver Art Museum Board of Trustees, the group tasked with recruitment is the Committee on Trustees. However, there is no racial diversity and few women among either the board officers or within the Committee on Trustees — all of these trustees are white and most are men.

The American Alliance of Museums, BoardSource, and the Colorado Nonprofit Association each recommend that efforts to increase the inclusivity and diversity of governing boards should be part of an action plan, strategic plan, or policies and procedures. This should include a process for recruiting, nominating, and evaluating new members.\textsuperscript{86}

A necessary element to creating a recruitment strategy is assessing a board’s membership and identifying missing elements.\textsuperscript{87} Although the Denver Art Museum Board of Trustees does not have a formal or documented recruitment plan, several individuals told us that increasing diversity is a priority and a goal, particularly in areas of gender and race.

The lack of diverse representation on the Denver Art Museum board and within its positions of leadership and recruitment can be attributed

\textsuperscript{85} Colorado Nonprofit Association, 17 and 44.
to the board having informal and undocumented recruitment and nomination processes. The board’s bylaws reference specific activities and documentation the Committee on Trustees should be including in recruitment and nomination efforts — such as compiling a list of needs, creating nomination reports, and maintaining nominee files. However, the board could not provide us with examples of this documentation. Additionally, the Committee on Trustees does not have regularly scheduled meetings and it does not keep meeting minutes that can be shared with the full board.

The American Alliance of Museums notes a lack of diversity on governing boards puts museums at risk of being unsustainable as populations of color continue to grow — noting that U.S. census data projects the U.S. will be a “majority minority” country by 2050, meaning people of color will comprise more than 50% of the population. If a museum primarily attracts visitors who are white, then over time, the size of that audience will shrink, possibly to the point of being too small to support the organization.

Further, the alliance notes that a board with limited representation will have blind spots. Because members from diverse groups are not helping to make decisions, boards with limited representation cannot make the best choices on how to serve an array of audiences. BoardSource notes: “The blind spots created by a lack of racial and ethnic diversity are particularly concerning, as they may result in strategies and plans that ineffectively address societal challenges and inequities, or even reinforce them.”

Because the Denver Art Museum Board of Trustees does not fully represent the diversity of the Denver metro area, these effects referenced by the alliance and BoardSource could potentially impact the board’s governance.

**RECOMMENDATION 3.1**

**Develop and Document Formal Board Policies and Procedures** – The Denver Art Museum Board of Trustees should develop and document formal recruitment, nomination, and renewal policies and procedures. These policies and procedures should include a periodic review of the board’s ideal composition (e.g., skills, experience, and diversity among trustees, officers, and committee members) and an action plan including descriptions of the board’s diversity goals and the steps necessary to achieve these goals. If necessary, the board should revise its bylaws to ensure consistency with its current recruitment and nomination practices.

**Denver Art Museum Response: Agree, Implementation Date – March 31, 2022**

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RECOMMENDATION 3.2

Require Meeting Minutes for the Committee on Trustees – The Denver Art Museum Board of Trustees should add a requirement to its bylaws that the Committee on Trustees keeps meeting minutes.

Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

The Board of Trustees’ Governing Practices Do Not Fully Align with Leading Practices

Our review of the board’s governing practices revealed that overall, they are largely informal and undocumented. Specifically, we identified three areas in which the board falls short when compared to leading practices: The board lacks a formal attendance policy, it imposes no limits on consecutive terms served, and it provides limited formal training opportunities for trustees.

In addition to our interviews with several individual trustees, our survey to all 35 trustees also asked them about the board’s governance approach. Of the 35 trustees, 28 completed the full survey.

No Attendance Policy – The board of trustees does not have a documented attendance policy for board meetings, and it operates with informal expectations. Through our interviews and survey analysis, trustees provided inconsistent perspectives on attendance expectations. For example, one board officer said they expect trustees to attend three to five board meetings a year, while another board officer said trustees are expected to attend all six board meetings each year. More than half of the survey respondents said trustees should attend all annual board meetings, while 11 other respondents said trustees are expected to attend at least four of the six meetings, and the remaining two respondents said they did not know the expectations for attendance.

According to BoardSource, attendance and participation should be a priority for board members to fulfill their “duty of care” — a legal obligation that includes both decision-making and oversight responsibilities, such as “attending board meetings regularly, entering discussions, reading minutes, understanding the organization’s programs, maintaining a careful oversight of finances, and questioning unclear or troubling activity.”

DENVER ART MUSEUM BOARD OF TRUSTEES SURVEY

For more on our survey questions and methodology, reference Appendix D.

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described by the Colorado Nonprofit Association, attendance requirements should be documented in an organization’s founding documents. Further, BoardSource says a meeting attendance policy should be enforced.

Meanwhile, the museum board does not track attendance beyond listing attendees in meeting minutes, making it difficult to identify attendance problems or patterns. When asked, trustees responding to our survey said they believe meetings are highly attended and tracking attendance is unnecessary. However, our analysis of board meeting attendance over the last four years found attendance rates lower than expected.

For example, we found 10 trustees did not attend any meetings for at least a year, and two of those trustees missed every meeting in multiple years. From 2016 through 2019, 10 to 14 trustees — representing 30% to 41% of members — attended two or fewer of the six annual meetings, and only two of those trustees stepped down from the board during that period. As of September 2020, two members, or 6%, had missed all meetings in 2020.

Figure 9 shows the average board attendance from 2016 through 2019.

Without proper preparation and attendance, a board member is not able to participate in informed and independent decision-making and otherwise fulfill their duty of care. Also, without ongoing tracking of those trustees who miss meetings and why, the board cannot ensure members remain engaged or that the board will identify and resolve attendance issues in a timely manner.

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91 Colorado Nonprofit Association, 43.
93 BoardSource, “Recommended Governance Practices.”
No Limits on Consecutive Terms Served – A trustee or officer on the Denver Art Museum Board of Trustees is not limited in the number of terms they can serve. The bylaws limit each term to three years, but they do not define a limit to the number of consecutive terms served. Various leading practices strongly recommend nonprofit boards adopt a limit to consecutive terms served by trustees and officers. Limiting the amount of consecutive terms served helps to accomplish diversity, expand the network, and retain only those who devote quality time and attention to their responsibilities.

Leading practices say the most common arrangement limits the chair to a one- or two-year term and all other trustees to two consecutive three-year terms, or no more than six years total. The policy defining the length of each term and the allowable number of terms served should be in a board’s bylaws and the board should enforce it. Specifically, BoardSource adds: “As the needs of the organization change over time, so should the composition of the board to ensure that the board has the necessary skill sets, perspectives, and networks for the future, rather than the past.”

As shown in Figure 10 on the following page, our analysis of trustees’ tenure found 26 of 35 trustees, or 74%, have held or will hold their seat for more than six years by the end of their current term. The average tenure of those currently serving is 17 years — with one trustee having served as long as 40 years.

Limiting board members to a finite amount of years served does not prevent valuable members from participating. Some leading practices offer different options for retaining highly involved and important members after their terms expire — such as having them serve on task forces or advisory boards. Board compositions should change over time to ensure the board “has the necessary skill sets, perspectives, and networks for the future, rather than the past.”


councils, volunteering, fundraising, assisting with special events, or serving with an emeritus status.100

**Little Formal or Ongoing Training or Skill Development** – Although Denver Art Museum leadership reported that trustees bring extensive knowledge and expertise to their work on the board and 89% of trustees surveyed said they receive sufficient training, we found little evidence of formal, ongoing skill development provided to the board of trustees.

The board could not provide documentation showing formal training offered to trustees. Instead, education primarily occurs during board meetings through presentations from museum staff and board committees. Our review of board meeting minutes from 2016 to 2020 found no discussion of training provided to the trustees — only training for museum staff and volunteers.

Our survey of board trustees asked them about the types of training they receive. Of the training categories referenced in the survey question, the fewest number of trustees reported having received financial literacy and nonprofit management training. Also, 46% of trustees reported having less knowledge of government administration, and 21% were less familiar with museum management and operations and facilities management.

BoardSource says ongoing training should include information on the organization and its programs, the community, and the board’s role in leading the organization.101 Because the museum has a series of agreements with the city, trustees could benefit from more familiarity with government operations — such as budget processes and bond issuance.

According to the Colorado Nonprofit Association, training and education are necessary for nonprofit board members to confidently articulate all

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aspects of the board and the organization and to have the ability to act legally and ethically. Training, education, and skill development for board members should be systematic and ongoing. Specifically, board members should receive financial literacy training, given their overall fiduciary responsibilities and legal obligations to the financial well-being of the organization they serve.

State law also requires that: “A nonprofit should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their ethical responsibilities, and applicable federal, state, and local laws. In particular, this includes information they must disclose to donors.”

According to the Colorado Nonprofit Association, conducting self-evaluations can improve a board’s operations and governance approach. Although we saw evidence that museum staff regularly identified and acted on opportunities to improve museum operations, our review of board documentation and testimonial data found no clear evidence that the board regularly assesses its own performance against leading practices to identify areas for improvement. If the Denver Art Museum Board of Trustees conducted self-evaluations of its performance, it would likely be aware of current leading practices and areas for improvement.

The American Alliance of Museums and BoardSource each say assessing board performance is a basic responsibility of nonprofit governance. A board’s assessment of its own performance should occur regularly to identify and correct any potential areas of improvement to ensure contributions to the nonprofit it serves are of the highest quality. BoardSource specifically says a requirement for conducting a comprehensive self-assessment should be included in board bylaws, and it should occur every two to three years to allow time for implementation.

Governing boards are responsible for ongoing development and improvement, and therefore, to fulfill this responsibility, ongoing education is an important element — along with conducting regular self-assessments.

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104 Colorado Charitable Solicitations Act § 6-16-105 (2016).


to gauge performance. A lack of formal self-assessments can hinder the success of a board because of lost opportunities to identify areas needing improvement, such as attendance problems and training opportunities.

RECOMMENDATION 3.3

Update Bylaws with Attendance Requirement – The Denver Art Museum Board of Trustees should update its bylaws to include a description of board attendance requirements.

Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

RECOMMENDATION 3.4

Update Bylaws with Limit to Consecutive Terms Served – The Denver Art Museum Board of Trustees should update its bylaws to include a limit on the number of consecutive terms trustees and officers can serve. To retain institutional knowledge, the board could create an honorary status for long-serving trustees transitioning off the board.

Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

RECOMMENDATION 3.5

Develop and Document Process for Ongoing Training – The Denver Art Museum Board of Trustees should develop and document a process for identifying ongoing training needs, such as a periodic survey of trustees, and for providing the required training. Financial literacy training needs to be among the types of training regularly provided to all trustees.

Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

RECOMMENDATION 3.6

Update Bylaws to Require Board Self-Assessment – The Denver Art Museum Board of Trustees should update its bylaws to include a requirement that the board conduct and document the results of regular self-assessments of its performance and adherence to leading practices. The requirement should stipulate how often these self-assessments should occur and the specific areas to be evaluated including, at minimum, trustees' attendance rates and their training needs.

Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

The Bylaws Are Not Consistent with Current Board Practices in Some Areas

The Denver Art Museum Board of Trustees’ current bylaws — which document governance policies, practices, and procedures — were last revised in 1998. Since that last revision, several practices have changed, making the bylaws inconsistent with current board practices.

- **Board Composition** – The bylaws do not reflect the current composition of the board in a few ways. First, the names and functions of some committees have changed over time, as shown in Figure 11. For example, the Finance Committee and the Audit Committee merged and became the Finance/Audit Committee, and the Marketing/Public Relations Committee is now the Marketing & Strategic Alliance Committee.

**FIGURE 11. Board of Trustees’ Committee Name and Function Changes**

- **Finance Committee**
- **Audit Committee**
- **Development and Membership Committee**
- **Marketing/Public Relations Committee**
- **Planning/Building Committee**
- **Nominating Committee**

Source: Auditor’s Office analysis of Denver Art Museum board bylaws and annual reports.

- **Committee Members** – The number of members allowed on the board’s Executive Committee is not consistent with the bylaws. The bylaws say the Executive Committee should have no more than 12 trustees, but 13 currently serve. Additionally, the bylaws limit the board to only four members on its Audit Committee, but the current Finance/Audit committee includes 11 members. It is unclear what the appropriate number of members should be on the Audit Committee.
Committee, because it was combined with the Finance Committee since the last bylaws revision.

- **Roles and Responsibilities** – The board’s bylaws also no longer reflect the current role and attendance expectations of the board secretary. The bylaws say the secretary shall attend all board meetings. However, based on our analysis of trustees’ attendance at board meetings since 2016, the board secretary has attended only 71% of meetings over the last four years. The bylaws also say the board secretary’s role is to send out meeting notices and keep meeting minutes, but these tasks are now the responsibility of the executive assistant to the director of the museum.

Our review of leading practices found bylaws should be regularly reviewed to ensure necessary changes are addressed quickly.\(^{109}\) The Colorado Nonprofit Association recommends bylaws be revised annually, while BoardSource recommends every few years — and yet the Denver Art Museum board last revised its bylaws over 20 years ago in July 1998. The bylaws include a provision allowing them to be amended, but the document is silent on how often trustees should hold this review and update process. Although the board shared with us a version of the bylaws with draft revisions, that review process is ongoing and any proposed changes remain unofficial, as of the drafting of this audit report.

A board’s governing bylaws are intended to provide specific policies and procedures around governance. Therefore, operating outside them can put the Denver Art Museum Board of Trustees at risk of performing its duties inconsistently, ineffectively, and potentially not in compliance with local and state laws that define governing practices, fiduciary duties, and other responsibilities.

**RECOMMENDATION 3.7**

Regularly Review and Update Governing Documents – The Denver Art Museum Board of Trustees should review and revise its bylaws to reflect current practices. This should include a requirement for regular review and revision to all governing documents — including the bylaws — and specify how often this review should occur.

Denver Art Museum Response: Agree, Implementation Date – March 31, 2022

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RECOMMENDATIONS

The agency narratives below are reprinted verbatim from the agency’s response letter, shown in the next section of this report.

1.1 Develop New Operating Agreement – The Denver Art Museum and the Mayor’s Office, with assistance from the City Attorney’s Office, should develop a new operating agreement that includes clear rights, responsibilities, and asset ownership to address gaps described in Table 1 of this audit report. This agreement should clarify the museum’s role as an “agency” for arts.

Mayor’s Office Response: Disagree

Mayor’s Office Narrative: The Mayor’s Office believes that consideration of a new operating agreement is premature until the other recommendations in this Audit Report are evaluated and implemented, so that the parties can determine the best method to approach any of the identified gaps described in Table 1. The Mayor’s Office understands that the intent of this recommendation is to avoid future instances of disagreement and we believe that recommendations 1.2 through 1.7 of this report may sufficiently address the concerns raised. Acknowledging the complexity and history of the City and the Denver Art Museum’s relationship, the parties are committed to exploring the appropriate method to evaluate the items identified in Table 1 and reserve the opportunity to identify the best tools and processes to achieve mutually beneficial outcomes.

Denver Art Museum Response: Disagree

Denver Art Museum Narrative: The Museum believes the parties to the agreement should determine the best method to approach any of the identified gaps described in Table 1. The Museum understands that the intent of this recommendation is to avoid future instances of disagreement and we believe that recommendations 1.2 through 1.7 of this report may sufficiently address the concerns raised. Acknowledging the complexity and history of relationship, the parties are committed to exploring the appropriate method to evaluate the items identified in Table 1 and reserve the opportunity to identify the best tools and processes to achieve mutually beneficial outcomes.

1.2 Include City Representation on the Denver Art Museum’s Board of Trustees – The Mayor’s Office should work with the Denver Art Museum to add one or more mayoral appointees to the museum’s board of trustees. This city representation on the board should be a requirement documented in the board’s bylaws.

Mayor’s Office Response: Agree, Implementation Date – June 30, 2022

Mayor’s Office Narrative: The Mayor’s Office will work with the Denver Art Museum to identify a process for appointing one or more mayoral appointees to the Museum’s board of trustees and documenting such appointees in the Museum’s bylaws, appreciating that the Art Museum will need to revise its bylaws before such appointments can occur.
1.3 **Assign Oversight Responsibilities** – The Mayor’s Office should assign and document a responsible agency and individual to manage the city’s agreement with the Denver Art Museum. This agency and individual should be the city’s centralized expert on the museum’s agreements and they should be responsible for overseeing the museum’s use of city funding, overseeing the annual review of city assets at the museum, and reviewing reports provided by the museum.

**Mayor’s Office Response: Agree, Implementation Date – June 30, 2021**

*Mayor’s Office Narrative:* The Mayor’s Office anticipates assigning Denver Arts & Venues (AVD) for this responsibility and will evaluate the appropriate mechanism to effect this.

1.4 **Reconcile City Assets at the Museum** – The Denver Art Museum and the Controller’s Office should reconcile and document all city-owned assets used by or stored at the Denver Art Museum.

**Mayor’s Office Response: Agree, Implementation Date – June 30, 2022**

*Mayor’s Office Narrative:* AVD will work collaboratively with the Museum in an attempt to reconcile and document all city-owned assets used by or stored at the Museum.

**Denver Art Museum Response: Agree, Implementation Date – March 31, 2022**

*Denver Art Museum Narrative:* [Museum officials provided no response specific to this recommendation. See the museum’s full response letter beginning on page 75.]

1.5 **Assign City Custodian for Assets at the Museum** – The agency that the Mayor’s Office designates to be responsible for museum oversight, as called for in Recommendation 1.3, should assign a city employee as an asset custodian for the city’s assets used by or stored at the Denver Art Museum. This custodian should be trained on asset-related city rules and processes, as well as the city’s agreements with the museum.

**Mayor’s Office Response: Agree, Implementation Date – Dec. 30, 2021**

*Mayor’s Office Narrative:* AVD will designate a position to serve as the asset custodian for the City’s assets used by or stored at the Denver Art Museum. Timing of such designation may be delayed due to the impact of COVID protocols on the City and staffing availability for AVD.
1.6 **Improve Internal Controls for Assets at the Museum** – The Controller’s Office should ensure adequate internal controls over the city’s assets at the museum. This should include annually verifying that the list of city assets at the museum is complete and accurate. These duties could be assigned to the agency with museum oversight responsibilities or to an individual within the Controller’s Office.

**Mayor’s Office Response: Agree, Implementation Date – June 30, 2022**

**Mayor’s Office Narrative:** The Controller’s Office anticipates that such duties would be assigned to the agency designated with Museum oversight. Verification of assets will be done in accordance with city fiscal rules or museum industry best practices, however, which may not require an annual verification.

1.7 **Annually Verify Assets** – The Controller’s Office should design and implement additional internal controls to verify at least annually that city assets related to entities under agreement with the city are properly recorded. When asset ownership questions exist or transactions have occurred during the year involving a separate entity, the City Attorney’s Office should be consulted to ensure the accounting treatment is consistent with the related agreement.

**Mayor’s Office Response: Agree, Implementation Date – June 30, 2022**

**Mayor’s Office Narrative:** As noted above in the Narrative for Recommendation 1.6, the Controller’s Office anticipates that such duties would be assigned to the agency designated with Museum oversight, and that such internal controls should comply with city fiscal rules and museum industry best practices.

2.1 **Update Policies and Procedures to Document Current Practices** – The Denver Art Museum’s Exhibition and Collection Services Department should update the museum’s inventory guidelines appended to its collections management policy or create separate procedures to document the museum’s current practices related to missing and nonaccessioned collection objects.

**Denver Art Museum Response: Agree, Implementation Date – Sept. 30, 2021**

**Denver Art Museum Narrative:** [Museum officials provided no response specific to this recommendation. See the museum’s full response letter beginning on page 75.]

2.2 **Update Policies and Procedures to Strengthen Oversight of Missing Objects** – The Denver Art Museum should update the museum’s guidelines appended to its collections management policy or create separate documented procedures to strengthen its oversight of missing objects. Additional policy or procedure elements should include a process for analyzing missing objects to identify trends as well as standard steps for investigating and resolving missing objects.

**Denver Art Museum Response: Agree, Implementation Date – Jan. 31, 2022**

**Denver Art Museum Narrative:** The Museum agrees to update its policies and procedures related to oversight and identification of objects carrying the “missing” classification within the Argus system.
The policy can be completed by fall 2021; however, creation of new procedures must follow the collection move back to the campus, which will be complete at the end of 2021.

2.3 **Update Formal Strategy for Collection Inventories** – The Denver Art Museum's Exhibition and Collection Services Department should update its current strategy for conducting inventories of the museum's art collection that:

- Identifies the museum’s priorities for physical inventories.
- Identifies those parts of the collection that have not been inventoried in more than 10 years.
- Includes an inventory schedule that allows as comprehensive an inventory as possible of all objects in the museum's care within a stated time frame.

**Denver Art Museum Response: Agree, Implementation Date – Jan. 31, 2022**

*Denver Art Museum Narrative: The Museum agrees, post reopening of the Martin Building, to update its already robust strategy, policies, and practices.*

2.4 **Strengthen System Controls** – The Denver Art Museum's director of technology and its Registrar's Office should update the ARGUS database to the version with audit trail capabilities, or they should restrict user access to delete object records and require and document a periodic review of objects marked as “missing.”

**Denver Art Museum Response: Agree, Implementation Date – Jan. 31, 2023**

*Denver Art Museum Narrative: Since the audit, the Museum has taken initial steps toward building out a project plan to upgrade the Argus software. As part of the project plan, the Museum will also assess the new audit trail function within Argus as well as other software enhancements to restrict access to certain critical functions and improve separation of responsibilities. This assessment and, ultimately, the software upgrade will take an extended period of time due to the priority of moving the art collection back to the premises throughout calendar year 2021, which is dependent on the current software. In the meantime, the Museum is implementing short-term alternative measures such as further system access restrictions and manual processes to support improved oversight.*

2.5 **Implement Additional Badge Controls** – The Denver Art Museum’s Protective Services Department should implement an automated control to ensure badges cannot be valid for more than one year, or the department should establish a requirement for an annual review to identify and deactivate security badges that are active beyond the allowable period. The results of this review should be documented.

2.6 **Incorporate Leading Practices in Emergency Response Planning** – The director of the Denver Art Museum should ensure the museum’s emergency response plan and processes incorporate practices recommended by leading organizations, as described in Figure 7 of this audit report — including developing a risk assessment and a continuity of operations plan, maintaining training records for staff training attendance, and developing a process for the board of trustees to review and approve the emergency response plan.

**Denver Art Museum Response:** Agree, Implementation Date – Jan. 31, 2023

Denver Art Museum Narrative: The Museum has initiated the development of an action plan surrounding this recommendation. The Museum is committed to formalizing its risk assessment process, reviewing leading practices and incorporating those practices that are appropriate for the institution within the next year. There are other aspects of this recommendation, such as business continuity plans, that are dependent factors that will be discovered over the next year which may extend the full implementation of the recommendation beyond the next year.

2.7 **Reconcile All Emergency Response Documentation** – The director of the Denver Art Museum should ensure museum staff reconcile all emergency response documentation to ensure procedures are aligned and consistent across various documents, including the emergency response plan and the flipbook.

**Denver Art Museum Response:** Agree, Implementation Date – Sept. 30, 2021

Denver Art Museum Narrative: [Museum officials provided no response specific to this recommendation. See the museum’s full response letter beginning on page 75.]

2.8 **Develop and Document Formal Policy for Plan Development and Maintenance** – The director of the Denver Art Museum should develop and document a formal policy for developing and maintaining the museum’s emergency response plan. This policy should outline a comprehensive approach to revising the emergency plan, and it should:

- Define the roles and responsibilities for developing and maintaining the plan.
- Describe the departments responsible for updating the plan and state their specific responsibilities.
- Describe how revisions should be coordinated across departments.
- Outline a formal review and approval process and review time frames.

**Denver Art Museum Response:** Agree, Implementation Date – Sept. 30, 2021
3.1 **Develop and Document Formal Board Policies and Procedures** – The Denver Art Museum Board of Trustees should develop and document formal recruitment, nomination, and renewal policies and procedures. These policies and procedures should include a periodic review of the board’s ideal composition (e.g., skills, experience, and diversity among trustees, officers, and committee members) and an action plan including descriptions of the board’s diversity goals and the steps necessary to achieve these goals. If necessary, the board should revise its bylaws to ensure consistency with its current recruitment and nomination practices.

**Denver Art Museum Response: Agree, Implementation Date – March 31, 2022**

Denver Art Museum Narrative: The Museum’s leadership and board had already initiated a process of assessing its current bylaws prior to the onset of the audit and intends to continue that work to define potential changes. Following a review of current leading industry best practices, including those provided in the report, and adapting those practices to the Museum’s mission, the board will vote on new bylaws early next year.

3.2 **Require Meeting Minutes for the Committee on Trustees** – The Denver Art Museum Board of Trustees should add a requirement to its bylaws that the Committee on Trustees keeps meeting minutes.

**Denver Art Museum Response: Agree, Implementation Date – March 31, 2022**

Denver Art Museum Narrative: See narrative for recommendation 3.1.

3.3 **Update Bylaws with Attendance Requirement** – The Denver Art Museum Board of Trustees should update its bylaws to include a description of board attendance requirements.

**Denver Art Museum Response: Agree, Implementation Date – March 31, 2022**

Denver Art Museum Narrative: See narrative for recommendation 3.1.

3.4 **Update Bylaws with Limit to Consecutive Terms Served** – The Denver Art Museum Board of Trustees should update its bylaws to include a limit on the number of consecutive terms trustees and officers can serve. To retain institutional knowledge, the board could create an honorary status for long-serving trustees transitioning off the board.

**Denver Art Museum Response: Agree, Implementation Date – March 31, 2022**

Denver Art Museum Narrative: See narrative for recommendation 3.1.
3.5 **Develop and Document Process for Ongoing Training** – The Denver Art Museum Board of Trustees should develop and document a process for identifying ongoing training needs, such as a periodic survey of trustees, and for providing the required training. Financial literacy training needs to be among the types of training regularly provided to all trustees.

*Denver Art Museum Response: Agree, Implementation Date – March 31, 2022*

*Denver Art Museum Narrative: See narrative for recommendation 3.1.*

3.6 **Update Bylaws to Require Board Self-Assessment** – The Denver Art Museum Board of Trustees should update its bylaws to include a requirement that the board conduct and document the results of regular self-assessments of its performance and adherence to leading practices. The requirement should stipulate how often these self-assessments should occur and the specific areas to be evaluated including, at a minimum, trustees’ attendance rates and their training needs.

*Denver Art Museum Response: Agree, Implementation Date – March 31, 2022*

*Denver Art Museum Narrative: See narrative for recommendation 3.1.*

3.7 **Regularly Review and Update Governing Documents** – The Denver Art Museum Board of Trustees should review and revise its bylaws to reflect current practices. This should include a requirement for regular review and revision to all governing documents — including the bylaws — and specify how often this review should occur.

*Denver Art Museum Response: Agree, Implementation Date – March 31, 2022*

*Denver Art Museum Narrative: See narrative for recommendation 3.1.*
January 7, 2021

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of the Denver Art Museum.

This memorandum provides a written response for the reportable conditions directed to the Mayor’s Office and Controller’s Office and noted in the Auditor’s Report final draft that was sent to us on December 15, 2020. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
The City’s Formal Relationship with the Denver Art Museum, as well as Its Ownership of Some Assets at the Museum, Is Unclear

RECOMMENDATION 1.1
Develop New Operating Agreement – The Denver Art Museum and the Mayor’s Office, with assistance from the City Attorney’s Office, should develop a new operating agreement that includes clear rights, responsibilities, and asset ownership to address gaps described in Table 1 of this audit report. This agreement should clarify the museum’s role as an “agency” for arts.

<table>
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</table>

Narrative for Recommendation 1.1
The Mayor’s Office believes that consideration of a new operating agreement is premature until the other recommendations in this Audit Report are evaluated and implemented, so that the parties can determine the best method to approach any of the identified gaps described in Table 1. The Mayor’s Office understands that the intent of this recommendation is to avoid future instances of disagreement and we believe that recommendations 1.2 through 1.7 of this report may sufficiently address the concerns raised. Acknowledging the complexity and history of the City and the Denver Art Museum’s relationship, the parties are committed to
exploring the appropriate method to evaluate the items identified in Table 1 and reserve the opportunity to identify the best tools and processes to achieve mutually beneficial outcomes.

RECOMMENDATION 1.2
Include City Representation on the Denver Art Museum’s Board of Trustees – The Mayor’s Office should work with the Denver Art Museum to add one or more mayoral appointees to the museum’s board of trustees. This city representation on the board should be a requirement documented in the board’s bylaws.

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<td>Agree</td>
<td>6/30/2022</td>
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Narrative for Recommendation 1.2
The Mayor’s Office will work with the Denver Art Museum to identify a process for appointing one or more mayoral appointees to the Museum’s board of trustees and documenting such appointees in the Museum’s bylaws, appreciating that the Art Museum will need to revise its bylaws before such appointments can occur.

RECOMMENDATION 1.3
Assign Oversight Responsibilities – The Mayor’s Office should assign and document a responsible agency and individual to manage the city’s agreement with the Denver Art Museum. This agency and individual should be the city’s centralized expert on the museum’s agreements and they should be responsible for overseeing the museum’s use of city funding, overseeing the annual review of city assets at the museum, and reviewing reports provided by the museum.

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<td>6/30/2021</td>
<td>Evan Dreyer</td>
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</table>

Narrative for Recommendation 1.3
The Mayor’s Office anticipates assigning Denver Arts & Venues (AVD) for this responsibility and will evaluate the appropriate mechanism to effect this.

RECOMMENDATION 1.4
Reconcile City Assets at the Museum – The Denver Art Museum and the Controller’s Office should reconcile and document all city-owned assets used by or stored at the Denver Art Museum.

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Narrative for Recommendation 1.4
AVD will work collaboratively with the Museum in an attempt to reconcile and document all city-owned assets used by or stored at the Museum.
**RECOMMENDATION 1.5**

Assign City Custodian for Assets at the Museum – The agency that the Mayor’s Office designates to be responsible for museum oversight, as called for in Recommendation 1.3, should assign a city employee as an asset custodian for the city’s assets used by or stored at the Denver Art Museum. This custodian should be trained on asset-related city rules and processes, as well as the city’s agreements with the museum.

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**Narrative for Recommendation 1.5**

AVD will designate a position to serve as the asset custodian for the City’s assets used by or stored at the Denver Art Museum. Timing of such designation may be delayed due to the impact of COVID protocols on the City and staffing availability for AVD.

**RECOMMENDATION 1.6**

Improve Internal Controls for Assets at the Museum – The Controller’s Office should ensure adequate internal controls over the city’s assets at the museum. This should include annually verifying that the list of city assets at the museum is complete and accurate. These duties could be assigned to the agency with museum oversight responsibilities or to an individual within the Controller’s Office.

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**Narrative for Recommendation 1.6**

The Controller’s Office anticipates that such duties would be assigned to the agency designated with Museum oversight. Verification of assets will be done in accordance with city fiscal rules or museum industry best practices, however, which may not require an annual verification.

**RECOMMENDATION 1.7**

Annually Verify Assets – The Controller’s Office should design and implement additional internal controls to verify at least annually that city assets related to entities under agreement with the city are properly recorded. When asset ownership questions exist or transactions have occurred during the year involving a separate entity, the City Attorney’s Office should be consulted to ensure the accounting treatment is consistent with the related agreement.

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Narrative for Recommendation 1.7
As noted above in the Narrative for Recommendation 1.6, the Controller’s Office anticipates that such duties would be assigned to the agency designated with Museum oversight, and that such internal controls should comply with city fiscal rules and museum industry best practices.

Please contact Evan Dreyer with any questions.

Sincerely,

Evan Dreyer
Deputy Chief of Staff

cc:  Valerie Walling, CPA, Deputy Auditor
     Katja E. V. Freeman, MA, MELP, Audit Director
     Emily Owens Gerber, MPA, Audit Supervisor
     Mr. J. Landis Martin, Chairman, Denver Art Museum Board of Trustees
     Dr. Christoph Heinrich, Frederick and Jan Mayer Director
     William Riedell, City Controller
Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

January 7, 2021

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of the Denver Art Museum.

This memorandum provides a written response for the reportable conditions directed to our organization and noted in the Auditor’s Report final draft that was sent to us on January 6, 2021. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

On behalf of the Denver Art Museum, I want to express my gratitude for the opportunity to look more closely at our systems and operations through the lens of the City Auditor. Adherence to the highest level of professional standards for art museums is fundamental to our role as stewards of collections for future generations, creators of programs that inspire and celebrate creative minds and partners to organizations, including the City and County of Denver, that add value and benefit to our communities. Ongoing evaluation of our ability to meet high standards is part of our practice.

It is those standards and protocols that we looked to throughout the audit in order to best meet the requests of the audit team, while ensuring the integrity of our information, collections and staff during the unprecedented closure and challenges created by the COVID-19 pandemic.

The Denver Art Museum has evolved throughout its 125+ year history from a local artist’s club to a beacon for creativity and a calling card for Denver to the rest of the world. As a generator of internationally traveling exhibitions, a leader in engaging young visitors with art and the steward of more than 70,000 objects that tell the story of human creativity throughout time and around the world, the Museum is a critical part of our cultural fabric and a driver of inspiration, economy and reputation for the City of Denver.

Our commitment to our responsibility as custodians of our collection, and the information we rely on to keep, manage and care for those collections, created a difference in opinion between the Museum and the Auditor, which is characterized in the report as a limitation.
to collections information provided to the audit team. It is critical to the Museum to clarify that the audit team had full, unrestricted onsite access to all collection database records for as long as they deemed necessary, as well as dedicated Museum staff to support their research. The Museum’s inability to provide a digital copy of the complete database for offsite use by the audit team stems from our obligation to maintain security and confidentiality of the data identical to the security of the objects they represent; however, the Museum fulfilled, to the extent possible, all formal requests for data from the audit team in a timely way, including additional requests made following the formal end to fieldwork. The Museum understood that it had ultimately met the needs of the audit team through multiple onsite sessions with the database and information shared through requested reports.

Like any industry, museums have unique and specific requirements in order to operate successfully. From strict and challenging environmental controls for the ongoing preservation of objects, to the careful consideration and rigorous process to acquire or deaccession art, there is nomenclature, expertise and process that exist solely in this industry. The Auditor’s recommendations regarding the management of our collections have given us valuable information to leverage into the future, and for that we are very appreciative.

We understand the difficulty of becoming versed in the complexities of art museums and wish to emphasize how unfamiliarity with Museum professional standards and industry may lead to misunderstandings by readers of this report. The most obvious example concerns the use of the term “missing” in the collection data. Simply stated, this term does not have the same meaning as the word in common parlance. The “missing” data field reflects a variety of standard collection-management scenarios, many arising from the Museum’s implementation of a digital database more than 30 years ago and currently applies to 356 permanent collection objects. Prior to that implementation, object records were kept on notecards divided among each of the curatorial departments. The digitization project from 1989 revealed many handwritten object cards which referenced objects that were at one point on loan and returned to the owner, objects intended or verbally offered as gifts but never came into the collection, or objects that were not located during a spot inventory. None of these instances means that objects were permanently lost or are missing from our collection as that term might be used commonly. Such an interpretation could lead readers to misunderstand the findings. A major collection move was undertaken recently in preparation for the current renovation of the Martin building. As part of this renovation, 83% of the collection was barcoded and inventoried and approximately 50,000 objects were moved to temporary offsite storage. As those objects are being returned to the Museum over the course of 2020-2021, 80% of the objects previously labeled “missing” during the move have already been
properly documented and corrected in the system, with more than 60% of the move completed. We look forward to completing this move and further focusing on inventory strategies and procedures that will improve our collections data.

A second area of the audit that could lead to misunderstanding by the public concerns the Museum’s funding. The audit report provides detailed information regarding City funds utilized by the Denver Art Museum. Of course, it is both appropriate and necessary for the auditor to focus on the City and its relationship with the Denver Art Museum. However, it is important to put the City role – and especially City funding – into an overall context. The City annually funds Museum operations in the amount of approximately $1.5M, or 5% of the Museum’s total operating budget which ranged in recent years from $28M to $36M. These funds are significant to the Museum and help offset costs incurred in order to maintain and service the campus. For context, it is important to understand the proportion of the overall Museum operating budget that is provided by City funds.

In addition to operating support, bond funds have been a critical component to the expansion and stewardship of the Museum campus over many years. In both the 1999 and 2018 bond issuances, the Museum privately raised significant funds, supplementing those received through the bond. The $62.5M in funding for the Hamilton Building was matched by $47M in private funds for the building itself, in addition to $56M privately raised to enhance the Museum’s endowment, a commitment made by the Museum’s board of trustees as part of the bond campaign. The endowment ensures the museum’s financial stability in perpetuity. In 2018, the $35.5M in public funding from the Elevate Denver bond issuance, as well as the $3M from the Better Denver bond issuance, was matched at a rate of 3:1 with private funds of approximately $115M raised by the Museum to complete the project. The Museum is also raising an additional $25M in endowment funds to further support future operations. The public funds provided for these projects are valuable springboards for raising private funds that are then invested in the Museum campus and programs for the benefit of the citizens, significantly amplifying the City’s investment.

The audit report suggests entering into a new agreement between the City and the DAM apparently because of perceived ambiguity as compared to agreements with the Denver Botanic Gardens and the Denver Zoo. As you know, each agreement between the City and the cultural institutions is unique and represents each institution’s historical and operating relationship with the City. These are neither standardized nor uniform in their scope. Therefore, we want to emphasize that a new agreement would not guarantee standardization and a new agreement would not necessarily enhance the formality of the relationship. Furthermore, the suggestion ignores significant history that has led to the current status, including the City’s decision to push the Museum to a more independent
status in the 1980s. While each of the cultural organizations that collaborates with the City may share some common traits, such as holding collections, existing for the benefit of all residents and serving as beacons for our City locally and globally; our foundational documents, our operations and our campuses are not the same, and neither are our agreements. We believe that the existing agreement has worked well and has provided the solid foundation for a cooperative relationship.

The Auditor also references challenges that have arisen between art museums elsewhere in the country and municipal governments as a rationale for developing a new agreement in Denver. The City and the Museum should both be justifiably proud that none of the issues referenced in the report from other cities has occurred in Denver, as they are specific to the circumstances of those museums, those municipal governments and the nature of the relationship between those parties. It is important to note that there are no complications current or past as a result of the operating agreement and neither party to the agreement has implied there is ambiguity or asked for outside review of the agreement. Our collaborative relationship is rooted in a joint responsibility to the citizens of Denver and we feel that our agreement provides the foundational guidance that has been, and will continue to be, essential for our shared future.

As referenced in our responses to the individual recommendations, the forthcoming opening of the Martin Building and Sie Welcome Center provides an opportunity to evaluate many of the Museum’s policies and procedures including the emergency management plan, collections management plans and board bylaws. We had begun the process of reviewing many of these important documents prior to the onset of the audit and look forward to again prioritizing these efforts in the near future. The Museum’s Board of Trustees has been a steadfast group of advisors, supporters and stewards of the Museum through its many iterations. This report highlights areas of improvement that are top of mind for the trustees. The recommendations included in this report are highly appreciated and reflect important topics to be considered and addressed as part of the board’s evaluation of the bylaws.
AUDIT FINDING 1
The City’s Formal Relationship with the Denver Art Museum, as well as Its Ownership of Some Assets at the Museum, Is Unclear

RECOMMENDATION 1.1
Develop New Operating Agreement – The Denver Art Museum and the Mayor’s Office, with assistance from the City Attorney’s Office, should develop a new operating agreement that includes clear rights, responsibilities, and asset ownership to address gaps described in Table 1 of this audit report. This agreement should clarify the museum’s role as an “agency” for arts.

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Narrative for Recommendation 1.1
The Museum believes the parties to the agreement should determine the best method to approach any of the identified gaps described in Table 1. The Museum understands that the intent of this recommendation is to avoid future instances of disagreement and we believe that recommendations 1.2 through 1.7 of this report may sufficiently address the concerns raised. Acknowledging the complexity and history of relationship, the parties are committed to exploring the appropriate method to evaluate the items identified in Table 1 and reserve the opportunity to identify the best tools and processes to achieve mutually beneficial outcomes.

RECOMMENDATION 1.2
Include City Representation on the Denver Art Museum’s Board of Trustees – The Mayor’s Office should work with the Denver Art Museum to add one or more mayoral appointees to the museum’s board of trustees. This city representation on the board should be a requirement documented in the board’s bylaws.

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<td>Agree</td>
<td>September 30, 2021</td>
<td>Christoph Heinrich, Director Office: (720) 913-0020</td>
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Narrative for Recommendation 1.2
**RECOMMENDATION 1.4**  
**Reconcile City Assets at the Museum** – The Denver Art Museum and the Controller’s Office should reconcile and document all city-owned assets used by or stored at the Denver Art Museum.

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</table>
| Agree                                 | March 31, 2022                                                                                    | Christoph Heinrich, Director  
Office: (720) 913-0020                                               |

**Narrative for Recommendation 1.4**

**AUDIT FINDING 2**  
The Denver Art Museum Should Strengthen Its Art Inventory Planning and Practices, as well as Its Emergency Response Plans

**RECOMMENDATION 2.1**  
**Update Policies and Procedures to Document Current Practices** – The Denver Art Museum’s Exhibition and Collection Services Department should update the museum’s inventory guidelines appended to its collections management policy or create separate procedures to document the museum’s current practices related to missing and nonaccessioned collection objects.

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</table>
| Agree                                 | September 30, 2021                                                                               | Curtis Woitte, Deputy Director, CFO  
Office: (720) 913-0022                                                  |

**Narrative for Recommendation 2.1**

**RECOMMENDATION 2.2**  
**Update Policies and Procedures to Strengthen Oversight of Missing Objects** – The Denver Art Museum should update the museum’s guidelines appended to its collections management policy or create separate documented procedures to strengthen its oversight of missing objects. Additional policy or procedure elements should include a process for analyzing missing objects to identify trends and standard steps for investigating and resolving missing objects.
Narrative for Recommendation 2.2
The Museum agrees to update its policies and procedures related to oversight and identification of objects carrying the “missing” classification within the Argus system. The policy can be completed by fall 2021; however, creation of new procedures must follow the collection move back to the campus, which will be complete at the end of 2021.

RECOMMENDATION 2.3
Update Formal Strategy for Collection Inventories – The Denver Art Museum’s Exhibition and Collection Services Department should update its current strategy for conducting inventories of the museum’s art collection that:
• Identifies the museum’s priorities for physical inventories.
• Identifies those parts of the collection that have not been inventoried in more than 10 years.
• Includes an inventory schedule that allows as comprehensive an inventory as possible of all objects in the museum’s care within a stated timeframe.

Narrative for Recommendation 2.3
The Museum agrees, post reopening of the Martin Building, to update its already robust strategy, policies, and practices.

RECOMMENDATION 2.4
Strengthen System Controls – The Denver Art Museum’s director of technology and its Registrar’s Office should update the ARGUS database to the version with audit trail capabilities, or they should restrict user access to delete object records and require and document a periodic review of objects marked as “missing.”
Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and phone number of specific point of contact for implementation
--- | --- | ---
Agree | January 31, 2023 | Curtis Woitte, Deputy Director, CFO Office: (720) 913-0022

**Narrative for Recommendation 2.4**

Since the audit, the Museum has taken initial steps toward building out a project plan to upgrade the Argus software. As part of the project plan, the Museum will also assess the new audit trail function within Argus as well as other software enhancements to restrict access to certain critical functions and improve separation of responsibilities. This assessment and, ultimately, the software upgrade will take an extended period of time due to the priority of moving the art collection back to the premises throughout calendar year 2021, which is dependent on the current software. In the meantime, the Museum is implementing short-term alternative measures such as further system access restrictions and manual processes to support improved oversight.

**RECOMMENDATION 2.5**

**Implement Additional Badge Controls** – The Denver Art Museum’s Protective Services Department should implement an automated control to ensure badges cannot be valid for more than one year, or the department should establish a requirement for an annual review to identify and deactivate security badges that are active beyond the allowable period. The results of this review should be documented.

Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and phone number of specific point of contact for implementation
--- | --- | ---
Agree | January 31, 2021 | Curtis Woitte, Deputy Director, CFO Office: (720) 913-0022

**Narrative for Recommendation 2.5**

**RECOMMENDATION 2.6**

**Incorporate Leading Practices in Emergency Response Planning** – The director of the Denver Art Museum should ensure the museum’s emergency response plan and processes incorporate practices recommended by leading organizations, as described in Figure 7 of this audit report — including developing a risk assessment and a continuity plan.

Page 8 of 13
of operations plan, maintaining records for staff training attendance, and developing a process for the board of trustees to review and approve the emergency response plan.

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Narrative for Recommendation 2.6
The Museum has initiated the development of an action plan surrounding this recommendation. The Museum is committed to formalizing its risk assessment process, reviewing leading practices and incorporating those practices that are appropriate for the institution within the next year. There are other aspects of this recommendation, such as business continuity plans, that are dependent factors that will be discovered over the next year which may extend the full implementation of the recommendation beyond the next year.

RECOMMENDATION 2.7
Reconcile All Emergency Response Documentation – The director of the Denver Art Museum should ensure museum staff reconcile all emergency response documentation to ensure procedures are aligned and consistent across various documents, including the emergency response plan and the flipbook.

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Narrative for Recommendation 2.7

RECOMMENDATION 2.8
Develop and Document Formal Policy for Plan Development and Maintenance – The director of the Denver Art Museum should develop and document a formal policy for developing and maintaining the museum’s emergency response plan. This policy should outline a comprehensive approach to revising the emergency plan, and it should:
- Define the roles and responsibilities for developing and maintaining the plan.

Page 9 of 13
• Describe the departments responsible for updating the plan and state their specific responsibilities.
• Describe how revisions should be coordinated across departments.
• Outline a formal review and approval process and review time frames.

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Narrative for Recommendation 2.8

AUDIT FINDING 3
The Denver Art Museum Board of Trustees Should Enhance Its Governance Approach

RECOMMENDATION 3.1
Develop and Document Formal Board Policies and Procedures – The Denver Art Museum Board of Trustees should develop and document formal recruitment, nomination, and renewal policies and procedures. These policies and procedures should include a periodic review of the board’s ideal composition (e.g., skills, experience, and diversity among trustees, officers, and committee members) and an action plan including descriptions of the board’s diversity goals and the steps necessary to achieve these goals. If necessary, the board should revise its bylaws to ensure consistency with its current recruitment and nomination practices.

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<td>March 31, 2022</td>
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Narrative for Recommendation 3.1
The Museum's leadership and board had already initiated a process of assessing its current bylaws prior to the onset of the audit and intends to continue that work to define potential changes. Following a review of current leading industry best practices, including those provided in the report, and adapting those practices to the Museum's mission, the board will vote on new bylaws early next year.
RECOMMENDATION 3.2
Require Meeting Minutes for the Committee on Trustees – The Denver Art Museum Board of Trustees should add a requirement to its bylaws that the Committee on Trustees keeps meeting minutes.

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Narrative for Recommendation 3.2
See narrative for recommendation 3.1

RECOMMENDATION 3.3
Update Bylaws with Attendance Requirement – The Denver Art Museum Board of Trustees should update its bylaws to include a description of board attendance requirements.

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Narrative for Recommendation 3.3
See narrative for recommendation 3.1

RECOMMENDATION 3.4
Update Bylaws with Limit to Consecutive Terms Served – The Denver Art Museum Board of Trustees should update its bylaws to include a limit on the number of consecutive terms trustees and officers can serve. To retain institutional knowledge, the board could create an honorary status for long-serving trustees transitioning off the board.

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**RECOMMENDATION 3.5**

**Develop and Document Process for Ongoing Training** – The Denver Art Museum Board of Trustees should develop and document a process for identifying ongoing training needs, such as a periodic survey of trustees, and for providing the required training. Financial literacy training needs to be among the types of training regularly provided to all trustees.

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**Narrative for Recommendation 3.5**
See narrative for recommendation 3.1

**RECOMMENDATION 3.6**

**Update Bylaws to Require Board Self-Assessment** – The Denver Art Museum Board of Trustees should update its bylaws to include a requirement that the board conduct and document the results of regular self-assessments of its performance and adherence to leading practices. The requirement should stipulate how often these self-assessments should occur and the specific areas to be evaluated including, at minimum, trustees’ attendance rates and their training needs.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>March 31, 2022</td>
<td>Christoph Heinrich, Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Office: (720) 913-0020</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 3.6**
See narrative for recommendation 3.1

Page 12 of 13
RECOMMENDATION 3.7
Regularly Review and Update Governing Documents – The Denver Art Museum Board of Trustees should review and revise its bylaws to reflect current practices. This should include a requirement for regular review and revision to all governing documents — including the bylaws — and specify how often this review should occur.

<table>
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<tr>
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</table>

Narrative for Recommendation 3.7
See narrative for recommendation 3.1

Please contact Curtis Woitte, Deputy Director, CFO at (720) 913-0022 with any questions.

Respectfully,

Christoph Heinrich
Frederick and Jan Mayer Director

cc: Michael Hancock, Mayor
Evan Dreyer, Mayor’s Office Deputy Chief of Staff
Valerie Walling, CPA, Deputy Auditor
Katja E. V. Freeman, MA, MELP, Audit Director
Emily Owens Gerber, MPA, Audit Supervisor
J. Landis Martin, Chairman of the board of the Denver Art Museum
Robert Rich, Sectary of the Denver Art Museum
OBJECTIVE

1. To determine the extent to which the city adequately documented fundamental elements of its relationship with the Denver Art Museum in agreements and the extent to which it has properly accounted for its assets at the museum.

2. To evaluate the degree to which selected Denver Art Museum policies and practices support effective collections management and emergency response.

3. To assess the extent to which selected governance policies and practices of the Denver Art Museum Board of Trustees align with leading practices.

SCOPE

We analyzed the city’s contractual oversight of and relationship with the Denver Art Museum and selected museum operational activities between 2016 and 2020 — including inventory practices, emergency response planning, and the board of trustees’ governance.

The audit was impaired because museum officials restricted the team’s access to complete reports from the museum’s collections management system, ARGUS. Museum officials cited their fiduciary, legal, and professional responsibilities.

When requested, the museum provided auditors with ARGUS reports of items with the following legal status: permanent collection, long-term loans, temporary loans, found in collection, abandoned, permanent collection/deaccession, and permanent collection/loans. However, reports of the remaining requested legal status categories — nonaccessioned, deaccessioned, apparatus/study, and removed from museum — were provided to the audit team only after fieldwork ended. Although we originally requested all records, due to difficulties in obtaining records from the museum and our assessed low-risk level, we did not obtain reports for the last three legal status categories: exhibition accessory, related accessory, and non-Denver Art Museum inventory.

Additionally, museum officials consistently refused to provide auditors with information from some data fields for all items in its collections — specifically dollar value, provenance, and party name — as well as several notes fields, such as those related to provenance, insurance, and cost. Although museum officials provided the team with view-only access to these fields and records with any legal status on-site, this level of access was insufficient for the team to assess data reliability and analyze the data in accordance with the audit program.

Not having complete records from ARGUS database prevented us from performing data analytics to search for anomalies and trends, and it prevented us from using values in selecting our testing sample or analyzing “missing” and “no location data” items.
METHODOLOGY

We used a variety of methodologies during the audit to collect and assess information related to the audit objectives. The methodologies included but were not limited to:

• Interviewing the following individuals:
  ○ Leadership and management of the Denver Art Museum, including the executive director, the chief financial officer, the chief marketing officer, the chief exhibition and collection services officer, the director of protective services, the director of facilities, the director of special projects, the director of technology, the director of exhibition strategy and gallery design, the chief registrar, the collections manager, the associate registrar and ARGUS administrator, the curator of modern and contemporary art, and the operations division administrator.
  ○ Select current members of the Denver Art Museum Board of Trustees and the board’s Committee on Trustees.
  ○ Representatives from various city agencies, including:
    • The Office of Emergency Management and Homeland Security.
    • The Department of Public Health and Environment.
    • The Department of Finance and several of its divisions — including the Budget and Management Office; the Capital Planning and Programming Division; the Cash, Risk and Capital Funding Division; the Controller’s Office; and the Real Estate Division.
    • The City Attorney’s Office.
    • The Mayor’s Office.
    • The Clerk and Recorder’s Office.
    • The Department of Transportation & Infrastructure.
  ○ Staff from several benchmark museums, including the Fine Arts Museums of San Francisco, the Seattle Art Museum, and the History Colorado Center.
  ○ Personnel associated with city, county, or state governments with oversight over an art museum or knowledge of such oversight, including:
    • The San Francisco Audits Division of the Office of the Controller.
    • The Long Beach, California, City Auditor’s Office and Economic Development Department.
• Contacting the following:
  ○ The Asian Art Museum of San Francisco, which provided information via email.
  ○ The Office of the Washington State Auditor, which responded via email.
  ○ The Long Beach Museum of Art and the Nelson-Atkins Museum of Art of Kansas City, Missouri — interviews with both of which could not be scheduled.
• Reviewing the following criteria:
○ The Denver Art Museum 2010 memorandum of understanding with the City and County of Denver.
○ The Denver Zoo's and Denver Botanic Gardens' cooperative agreements with the City and County of Denver.
○ The Denver Art Museum's collections management policy and appendices.
○ The Denver Art Museum emergency response plan.
○ The City and County of Denver emergency operations plan.
○ The city's Executive Order No. 85 regarding emergency management programs.
○ The city's Executive Order No. 8 regarding contracts.
○ Other Denver Art Museum internal policies and procedures related to inventory planning and practices, art collection database administration, and emergency response planning.
○ Denver Art Museum Board of Trustees governing documents, such as bylaws and articles of incorporation.
○ Leading practices related to art inventory planning and practices, art collection database internal controls, emergency response planning — both general and specific to museums, board governance practices, and agreements between museums and other parties supporting their operations.
○ Benchmarking research to identify inventory planning and practices used by the following museums — which were selected because they receive funding from their local or state governments, they have agreements with their local or state government that describes the relationship and requirements of both parties, or they have comparable annual visitor attendance and budgets:
  • The Asian Art Museum of San Francisco.
  • The Fine Arts Museums of San Francisco.
  • The Long Beach Museum of Art.
  • The Seattle Art Museum.
  • The Nelson-Atkins Museum of Art.
  • The History Colorado Center.
○ Benchmarking research with the following selected museums and local governments — selected because of comparable annual visitor attendance and budgets — to determine the types of agreements and oversight approach used by other cities that support, in some way, a local museum:
  • Long Beach Museum of Art in Long Beach, California.
  • The Asian Art Museum of San Francisco and the Fine Arts Museum of San Francisco, both of which are in the City and County of San Francisco.
○ City and County of Denver Fiscal Accountability Rule 4.2 related to capital and controlled assets.
○ Concepts Statement No. 34 of the Governmental Accounting Standards Board related to basic financial statements for state and local governments.
○ National standards and frameworks including:
  • The U.S. Government Accountability Office's “Standards for Internal Controls in the Federal Government.”
  • The Committee of Sponsoring Organizations of the Treadway Commission's internal control framework.
  • Occupational Health and Safety Administration standards.
  • National Institute of Standards and Technology standards.
  • U.S. Department of the Interior standards.
  • National Park Service policies.
  • The American Alliance of Museums’ national standards and best practices.

• Analyzing and reviewing the following:
  ○ Terms and requirements of the Denver Art Museum agreements and memorandum of understanding with the city compared to other cultural institutions' agreements with the city.
  ○ The Denver Art Museum's and the city's financial statements to identify ownership of land, building, and art, as well as to gain an understanding of relevant accounting policies and operations.
  ○ Wills mentioned in the Denver Art Museum's 1932 agreement to identify art and funds for art bequeathed to the city.
  ○ Leading practices and benchmarking information related to levels of oversight and documentation of expectations between museums and their host cities.
  ○ City accounting practices for assets used by or stored at the Denver Art Museum.
  ○ The Denver Art Museum’s inventory planning and practices (e.g., types of inventories conducted, the frequency of inventories, etc.) compared to leading practices and benchmarking information.
  ○ The accuracy of the Denver Art Museum's art collections database by testing samples of art collections inventory.
  ○ The system controls of the Denver Art Museum’s art collection database (e.g., record deletion, supervisory review, or marking items as missing, abandoned, or damaged) compared to leading practices and benchmarking information.
  ○ The Denver Art Museum’s emergency response plan and supporting emergency response documents compared to leading practices.
  ○ Survey data from the Denver Art Museum Board of Trustees regarding the trustees' perspectives on training, board practices, and diversity.
  ○ The Denver Art Museum Board of Trustees’ meeting minutes for fiscal years 2016 through 2020 to determine levels of alignment with nonprofit management leading practices.
  ○ The Denver Art Museum Board of Trustees' meeting minutes and rosters for fiscal years 2016 through 2020 to identify attendance rates for trustees.
○ The Denver Art Museum Board of Trustees' procedures for new trustee recruitment and nominations.


• Observing Denver Art Museum personnel conducting a spot-check inventory of objects recently moved to their new permanent locations in on-site museum storage.

Appendices C and D, respectively, include further details regarding our methodology for inventory testing and sampling and for our Denver Art Museum Board of Trustees survey and demographic analysis.
APPENDICES

Appendix A – 2010 Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING is entered into as of the 29th day of December, 2010, between The Denver Art Museum, a Colorado nonprofit corporation (the “Art Museum”), and the City and County of Denver, a Colorado municipal corporation (the “City”).

RECITALS

A. WHEREAS, the Art Museum has a long history of service to the City of Denver and its people. The Art Museum has its roots in the Artists Club of Denver, which was initially organized in 1893. It changed its name to the Denver Art Association in 1917, was incorporated as a Colorado nonprofit education corporation under the name “The Denver Art Museum” in 1923 and was reincorporated as a Colorado nonprofit corporation, following the expiration of its initial certificate in 1941; and

B. WHEREAS, the relationship between the Art Museum and the City has been memorialized in a series of agreements dating back to 1932, when the Art Museum was appointed as the City’s agency for art. For 78 years, the Art Museum has provided valuable and faithful service to the City and the people of Denver; and

C. WHEREAS, as an independent Colorado non-profit corporation governed by Section 501(c)(3) of the Internal Revenue Code, the Art Museum exists for the primary purpose of cultivating and promoting a general interest in and appreciation of the arts by the people of Denver and to advance such interest and appreciation by appropriate means; and

D. WHEREAS, over the past 30 years, the Art Museum has raised and expended in excess of $400 million in fulfilling its mission and purposes, and has raised an endowment of over $97 million; and

E. WHEREAS, the City and the Art Museum have a mutual interest in fulfilling the mission and purposes of the Art Museum, and they have enjoyed a mutually beneficial relationship for over seven decades, during which time the Art Museum has become an institution of international stature, managing a large collection of objects, which it preserves, conserves and exhibits for the public in facilities that have, in and of themselves, international prominence; and

F. WHEREAS, the City and the Art Museum wish to reaffirm their historic and ongoing relationship in support of the mutual benefits provided by the City and the Art Museum to each other and to the people of Denver.

UNDERSTANDING

NOW, THEREFORE, the City and the Art Museum state as follows:

1. The Art Museum is the City’s agency for art, responsible for the acquisition, conservation, and exhibition of works of art and other art museum activities through its operation
and administration of the museum facilities, consisting of the North Building, the Hamilton Building, and the aerial walkway connecting the two.

2. The Art Museum is the legal and beneficial owner of its art collections, and acquires, holds, conserves and exhibits its art collections for the benefit of the people of Denver, which exhibits include a number of works owned by the City.

3. Over a period of years, by purchase and donation, the Art Museum and the City acquired the land upon which the North Building was constructed and completed in 1971. The construction was funded by donations and capital appropriations.

4. In 1999, the City approved and issued tax exempt general obligation bonds in the amount of $62,500,000, which bond funds were used in the construction and completion by the City in 2006 of the Hamilton Building and the aerial walkway connecting the Hamilton Building to the North Building. As part of this project, the Art Museum contributed $47,000,000 from its capital campaign to fund portions of the interior finish and amenities for the Hamilton Building.

5. The Art Museum, for the mutual benefit of the Art Museum and the City, raised approximately $56,000,000 in endowment funds for general purposes, including operating and maintaining the museum facilities.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Understanding as of the day and year first written above.

CITY AND COUNTY OF DENVER:

By: [Signature]
MAYOR

THE DENVER ART MUSEUM,
a Colorado nonprofit corporation

By: [Signature]
Name: Cathey M. Finlen, President
Appendix B – Comparison of Agreements between the City and County of Denver and the Denver Art Museum

Table 2, beginning below and spanning the following four pages, describes key information from each of the nine agreements between the City and County of Denver and the Denver Art Museum — including the purpose of each agreement, the city’s oversight role, the funding provided by the city, and any references to city- or museum-owned assets.

**TABLE 2. Comparison of Agreements between the City and the Denver Art Museum**

<table>
<thead>
<tr>
<th>Agreement Type and Year Signed</th>
<th>Purpose</th>
<th>The City's Oversight Duties</th>
<th>City Funding Provided</th>
<th>Asset Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreement – 1932</td>
<td>• Defines basic obligations of the city and the museum — as well as a plan to use the money provided under the wills of Helen Dill and Rachel M. Schleier. • Names the museum the “city's art museum agency.”</td>
<td>None.</td>
<td>The city will pay an adequate and fair compensation for services. A possible exception is certain payroll costs.</td>
<td>• <strong>Buildings</strong> – The city must construct, operate, and maintain a museum in the City and County Building. • <strong>Art</strong> – The association is the owner of numerous art objects and collections, whereas the city is the owner of many art objects and has been the recipient of bequests from Helen Dill and Rachel M. Schleier. The association will accept gifts of art and donations to the city.</td>
</tr>
</tbody>
</table>

Source: Auditor’s Office analysis of the agreements.

Note: Table 2 continues across the following four pages. *The agreements refer to the Denver Art Museum as the “association.”
TABLE 2, CONTINUED.

<table>
<thead>
<tr>
<th>Agreement Type and Year Signed</th>
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<th>The City's Oversight Duties</th>
<th>City Funding Provided</th>
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</thead>
</table>
| Agreement – 1942              | Reiterates obligations of the city and the museum and allocates additional space in the City and County Building for the Denver Art Museum to display its collections. | None. | The city will provide adequate support of the activities of the association — including maintenance of museum galleries and buildings. A possible exception is certain payroll costs. | • **Land** – The city shall acquire the necessary land for a new museum building.  
• **Buildings** – The city has paid for “fitting up rooms” in the City and County Building and has allotted three other rooms. The trustees of the Dill estate will provide $40,000 for finishing and furnishing other rooms and for maintenance. The trustees of both the Dill and Schleier estates will devote funds for the construction of an art museum.  
• **Art** – The city has acquired works of art, through gifts and otherwise. The association has accumulated art worth $200,000, while the city has gifts of art and for art purposes valued at over $1 million. The trustees of the Dill estate will devote money for purchasing art.  
The museum is the city’s “agency” for acquiring works of art for the city. |

*Source: Auditor’s Office analysis of the agreements.*
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</table>
| Agreement – 1953             | • Reiterates obligations of the city and the museum.  
                                • Documents parcels of land the city will acquire for the museum, so the museum can then vacate space it occupied in the City and County Building. | None. | The city will provide the museum with funding levels adequate to maintain the operation of the museum on a sound level. | • **Overall** – The museum has acquired without city funds land, buildings, collections, equipment, and trust funds with a total value of $5 million. The museum possesses lands and buildings and uses furniture, “which the museum now holds or to which the museum may become entitled or entrusted in the future” or indirectly through transfer to the name of the city.  
The museum possesses “all funds, real estate, securities, contracts, property and valuables of any nature which has been or may be given to ... the Museum for continuation or development of the Museum.”  
When requested, the museum will deliver to the city “instruments of transfer to title of and to all of its real and personal property ... subject also to the express condition that such trust declared or transferred shall be only so long as the museum shall continue under this contract” to be city's “agency” for the arts.  
• **Buildings** – The museum will vacate the City and County Building by July 1954 and will start building a new museum building.  
• **Art** – The museum is the city “agency” responsible for the acquisition, exchange, exhibition, conservation, and disposition of works or art that have been given, bequeathed, purchased, loaned, or otherwise acquired by the city and the museum. |

*Source: Auditor's Office analysis of the agreements.*
### TABLE 2, CONTINUED.

<table>
<thead>
<tr>
<th>Agreement Type and Year Signed</th>
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<tbody>
<tr>
<td>Agreement – 1967</td>
<td>Describes roles and responsibilities for funding and construction of the Martin Building.</td>
<td>The city is responsible for procuring and managing contractors for land preparation.</td>
<td>The city will appropriate amounts of $1 million.</td>
<td>Buildings – Both parties will contribute funds to build the Martin Building.</td>
</tr>
<tr>
<td>Agreement – 1991</td>
<td>Describes roles and responsibilities for bond funding and the work renovating and expanding the Martin Building.</td>
<td>None.</td>
<td>The city will issue bonds and provide additional funding for the building improvements.</td>
<td>Buildings – Both parties will contribute funds for enlarging and improving the Martin Building.</td>
</tr>
<tr>
<td>Funding Agreement – 2004</td>
<td>Describes roles and responsibilities for funding and construction of the Hamilton Building.</td>
<td>The Public Works Department has primary management responsibilities related to this project.**</td>
<td>The city will provide $62.5 million in bond funding.</td>
<td>Buildings – The city will construct the Hamilton Building, and the museum will pay for the interior.</td>
</tr>
<tr>
<td>Memorandum of Understanding – 2010</td>
<td>Reiterates relationship between the city and the museum and certain facts from the past.</td>
<td>None.</td>
<td>No specific funding commitments.</td>
<td><strong>Land and Buildings</strong> – The agreement reiterates information regarding past construction funding. Both parties acquired the land under the Martin Building. <strong>Art</strong> – The museum is the legal and beneficial owner of its art collections and holds, conserves, and exhibits its art collections for the benefit of the people of Denver. Exhibits include a number of works owned by the city.</td>
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</table>

**Source:** Auditor's Office analysis of the agreements.

**Note:** **The Department of Public Works is now the Department of Transportation & Infrastructure.**
### Table 2, Continued.

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<th>Agreement Type and Year Signed</th>
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<th>The City’s Oversight Duties</th>
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<th>Asset Ownership</th>
</tr>
</thead>
</table>
| Funding and Assignment Agreement – 2013 | Describes roles and responsibilities for bond funding and work constructing new public space within the Martin Building. | The city’s project manager for the bond program will monitor the project. | The city will provide $3 million in bond funding. | • **Overall** – “Upon approval and acceptance by the City, the museum shall be deemed to have conveyed to the city all right, title and interest in the improvement made as part of the Project, to be maintained and managed by the museum pursuant to the Cooperative Agreement.”  
• **Buildings** – The museum will construct a new public space within the Martin Building. The city will contribute $3 million in bond funding, and the museum will raise private funds in excess of $3 million. |
| Funding and Assignment Agreement – 2018 | Describes roles and responsibilities for bond funding and work renovating and expanding the Martin Building and the welcome center. | The city’s program implementation manager will monitor the project. | The city will provide $35.5 million in bond funding. | • **Overall** – This agreement shall not be deemed to alter the museum agreements or any interest, right, title, or fee within.  
• **Buildings** – The city will provide $35.5 million in bond funding, and the museum will pay the rest for the Martin Building renovation. The museum has raised $100 million to fund this project. |

**Source:** Auditor’s Office analysis of the agreements.
Appendix C – Inventory Testing and Sampling Methodology

We performed two types of tests to determine whether the Denver Art Museum’s inventory controls surrounding locations listed in the inventories were working at least 95% of the time. We tested whether items in the collections management system, called ARGUS, existed (i.e., the test of existence) and whether items at the museum were included in the system (i.e., the test of completeness).

Test of Existence

**Sampling** – The population consisted of 45,672 permanent collection objects. This population excluded objects off-site or in transit and certain other locations, such as items being unpacked. To estimate the minimum sample size required to estimate a potential control issue, we used a proportional stratified sampling strategy. Stratification was done by collections.

With an assumption of 5% error in the population and 95% confidence with a 4.7% margin of error, the minimum sample size was 84. We used a random number generator to pick a random sample by collection. Because the museum did not provide the values of items in the reports, we could not use this field in our risk assessment and sampling strategy.

In addition, we could not test any items from the nonaccessioned collection, as the museum refused to provide this data until after audit fieldwork was completed.

**Testing** – Before testing, we identified additional items beyond the minimum of 84 to ensure we met the minimum sample size, because items could have moved after our sample was developed. Therefore, we randomly selected 94 items. As each additional item was randomly selected, they were included in the test and evaluation. This size provided us with 95% confidence in our results.

Objects in the Martin and Bannock buildings were located, and all current locations were correct. However, we identified two objects that we could not initially locate. In the Hamilton Building, the location for one item was incorrect due to scanner issues, and we considered it an exception. Such scanner issues were known to museum staff, and there are controls in place to minimize errors.

Additionally, we identified one issue with the accuracy of the report we used to pull the sample. This was not considered an exception, because the object was in the correct location, according to the collection management system records. We could identify no clear cause for this inaccurate report data.

Test of Completeness

**Sampling** – The population was all items available in storage or on display in the museum, except off-site locations, items in transit, and certain other areas such as unpacking. Given that the sample frame for permanent collection items on the floor is the physical location of the items, to maintain a random selection and wide variety of locations, the audit team selected objects that were in close proximity to some of the sheet-to-floor sample objects, and some objects were selected from other locations within each storage area.

The minimum sample size for the permanent collections on the floor was also 84. Gallery areas were considered low-risk locations; therefore, we tested only from the galleries that were off-limits to the public.
Testing – All 84 objects were located in the collections management system, so there were no exceptions.

Conclusions

We used EZ-Quant to evaluate the results of our testing. Given the one exception in the existence test sample, we cannot conclude that the museum’s controls for permanent collection items within these three buildings work at least 95% of the time. This attribute failed because the error rate in the whole population is likely higher than the critical error rate of 5%. Sample evaluation shows at a 95% confidence level that the upper range of the error rate is 5.8%. However, we note that this item was easily located in a different location. Therefore, it was only an error in location records, rather than an issue of existence.

There were no exceptions in our test for completeness of records.

Based on the physical inventory testing of the permanent collection objects, the types and number of errors, items being inaccessible to persons without IDs, and other internal controls surrounding inventory, we conclude that locations for the objects in the three buildings are reasonably accurate, objects listed in ARGUS exist, and objects are properly included in ARGUS’ records.

However, overall, our testing was impaired by a lack of data from the museum as we discussed in Finding 1 and within our audit scope on page 88.
Appendix D – Methodology for Denver Art Museum Board of Trustees Survey and Demographics Analysis

Auditors developed an online survey of current members of the Denver Art Museum Board of Trustees to determine their reasons for joining the board and their perspectives on its activities and governance approach. We also compared certain aspects of the trustees’ demographic profiles provided by museum leadership against the seven-county Denver metro area to determine the degree to which the board represents the community it serves.

Survey Questions and Analysis

Using a secure, licensed SurveyMonkey account, we administered a survey to all 35 trustees over a two-and-a-half week period, from July 21, 2020, to Aug. 7, 2020. Most board members received the survey via a SurveyMonkey-generated email. Auditors provided a direct link to the survey to three board members who had opted out of receiving surveys through SurveyMonkey. To maintain confidentiality of the survey respondents, we reported survey results only in the aggregate. Out of the 35 trustees who received the survey, 28 completed it — a response rate of 80%.

The survey included 23 questions that explored the trustees’ areas of expertise, training, committee involvement, and understanding of bylaws requirements. Some survey questions included question logic, so therefore, not all respondents were required to answer every survey question.

Table 3, beginning below and spanning the following four pages, lists each survey question and the response options.

<table>
<thead>
<tr>
<th>Question No.</th>
<th>Question, with Answer Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>How many years have you served on the Denver Art Museum Board of Trustees? Less than two years; Two to five years; Six to 10 years; More than 10 years.</td>
</tr>
<tr>
<td>Q2</td>
<td>How did you learn about the Denver Art Museum Board of Trustees? (Select all that apply.)</td>
</tr>
<tr>
<td></td>
<td>Current or previous board member; Denver Art Museum employee; Website or other media; Other (open-ended).</td>
</tr>
<tr>
<td>Q3</td>
<td>Describe your motivation to volunteer for the Denver Art Museum Board of Trustees. (Open-ended).</td>
</tr>
</tbody>
</table>

Source: City and County of Denver Auditor’s Office.
Note: Table 3 continues across the following four pages.
<table>
<thead>
<tr>
<th>Question No.</th>
<th>Question, with Answer Options</th>
</tr>
</thead>
</table>
| Q4          | Before you joined the Denver Art Museum Board of Trustees, what was your level of expertise in each of the following areas?  
Accounting and finance.  
Art (e.g., education, collection, conservation).  
Business administration.  
Capital projects/construction.  
Communications/marketing.  
Community engagement and outreach.  
Facilities management.  
Fundraising.  
Government administration.  
Information technology.  
Law.  
Museum management and operations.  
Nonprofit management.  
Expert knowledge; Moderate knowledge; No knowledge. |
| Q5          | What training have board or museum personnel, or external parties, provided to you during your tenure? (Select all that apply.)  
Ethics, including understanding and reporting conflicts of interest; Financial literacy; Management and maintenance of art collections; New member orientation, such as training on applicable laws, contracts, and board operations; Nonprofit management; Other (open-ended). |
| Q6          | What documentation were you provided when you joined the Denver Art Museum Board of Trustees? (Select all that apply.)  
Articles of incorporation; Bylaws; Denver Art Museum’s operating agreements with the city; Denver Art Museum’s financial information (e.g., audited financial statements); Denver Art Museum’s mission statement; Other (open-ended). |
| Q7          | Please indicate the extent to which you agree or disagree with the following statement: “While serving on the Denver Art Museum Board of Trustees, I receive adequate training to perform my duties as a board member.”  
Agree; Somewhat agree; Neither agree nor disagree; Somewhat disagree; Disagree. |
| Q8          | What assistance would help you better fulfill your role as a board member?  
(Open-ended). |

Source: City and County of Denver Auditor’s Office.
<table>
<thead>
<tr>
<th>Question No.</th>
<th>Question, with Answer Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q9</td>
<td>Which committee(s) and/or community advisory group(s) do you serve on?</td>
</tr>
<tr>
<td></td>
<td>Access Advisory Group.</td>
</tr>
<tr>
<td></td>
<td>Collections Committee.</td>
</tr>
<tr>
<td></td>
<td>Committee on Trustees.</td>
</tr>
<tr>
<td></td>
<td>Conservation Advisory Ad Hoc Committee.</td>
</tr>
<tr>
<td></td>
<td>Design Studio Advisory Group.</td>
</tr>
<tr>
<td></td>
<td>Development Committee.</td>
</tr>
<tr>
<td></td>
<td>Education Committee.</td>
</tr>
<tr>
<td></td>
<td>Executive Committee.</td>
</tr>
<tr>
<td></td>
<td>Finance/Audit Committee.</td>
</tr>
<tr>
<td></td>
<td>Jordan Casteel Exhibition Community Advisors.</td>
</tr>
<tr>
<td></td>
<td>Latino Audience Alliance.</td>
</tr>
<tr>
<td></td>
<td>Marketing &amp; Strategic Alliance Committee.</td>
</tr>
<tr>
<td></td>
<td>Trustee Building Committee.</td>
</tr>
<tr>
<td></td>
<td>I do not serve on a committee or advisory group.</td>
</tr>
<tr>
<td></td>
<td>Other (open-ended).</td>
</tr>
<tr>
<td>Q10</td>
<td>What training or information were you provided when you joined the Collections Committee?</td>
</tr>
<tr>
<td></td>
<td>(Open-ended).</td>
</tr>
<tr>
<td>Q11</td>
<td>During your tenure, about how often has the Denver Art Museum Board of Trustees updated its governance structure in the following areas?</td>
</tr>
<tr>
<td></td>
<td>Articles of incorporation.</td>
</tr>
<tr>
<td></td>
<td>Bylaws.</td>
</tr>
<tr>
<td></td>
<td>Mission statement.</td>
</tr>
<tr>
<td></td>
<td>Committee structure.</td>
</tr>
<tr>
<td></td>
<td>Other (open-ended).</td>
</tr>
<tr>
<td></td>
<td>Twice per year; Once per year; Every other year; Never; I don’t know.</td>
</tr>
<tr>
<td>Q12</td>
<td>During your tenure, did the Denver Art Museum Board of Trustees conduct any self-assessments of how well the board fulfilled its core responsibilities?</td>
</tr>
<tr>
<td></td>
<td>Yes; No; I don’t know.</td>
</tr>
<tr>
<td>Q13</td>
<td>How often do these self-assessments occur?</td>
</tr>
<tr>
<td></td>
<td>Every year; Every other year; Every three years; I don’t know; Other (open-ended).</td>
</tr>
</tbody>
</table>

Source: City and County of Denver Auditor’s Office.
### TABLE 3, CONTINUED.

<table>
<thead>
<tr>
<th>Question No.</th>
<th>Question, with Answer Options</th>
</tr>
</thead>
</table>
| Q14          | During your tenure, was the Denver Art Museum Board of Trustees involved in reviewing and approving these key museum policies and agreements?  
2010 Memorandum of Understanding with the city.  
Collections Management Policy.  
Emergency Response Plan.  
Martin Building and welcome center construction contract.  
Yes; No; I don’t know. |
| Q15          | What level of attendance is expected of trustees annually?  
Trustees are expected to attend all (six) board meetings; Trustees are expected to attend most (at least four) board meetings; Trustees are expected to attend some (at least two) board meetings; Trustees are not expected to attend any board meetings; I don’t know. |
| Q16          | Which of the following statements best describes your attendance during 2019?  
I attended all (six) board meetings; I attended most (at least four) board meetings;  
I attended some (at least two) board meetings; I attended one board meeting;  
I have not attended any board meetings; I’m not sure. |
| Q17          | In meetings of the Denver Art Museum Board of Trustees, how many trustees must be present for a quorum?  
All trustees; Two-thirds of all trustees; One-third of all trustees; At least 10 trustees; I don’t know. |
| Q18          | Which of the following statements best describes your opinion on the size of the Denver Art Museum Board of Trustees?  
The board has too many trustees; The current number of trustees is appropriate;  
The board needs more trustees; I don’t know. |
| Q19          | Please indicate which gender you identify with.  
Man; Nonbinary/Genderqueer/Agender; Transgender; Woman;  
Prefer not to say; Prefer to self-describe (open-ended). |
| Q20          | Please indicate what race and/or ethnicity you identify with. (Select all that apply.)  
Asian; Black or African American; Hispanic or Latinx; Middle Eastern or Arab;  
Native American or Indigenous; Pacific Islander; White; Prefer not to say; Other (open-ended). |

Source: City and County of Denver Auditor’s Office.
### TABLE 3, CONTINUED.

<table>
<thead>
<tr>
<th>Question No.</th>
<th>Question, with Answer Options</th>
</tr>
</thead>
</table>
| Q21          | Please answer to what extent you agree or disagree with the following statement: “The Denver Art Museum Board of Trustees is sufficiently diverse in its membership.”  
|              | Financial Status  
|              | Gender  
|              | Race/Ethnicity  
|              | Agree; Somewhat agree; Neither agree nor disagree; Somewhat disagree; Disagree. |
| Q22          | Please list any practices the Denver Art Museum Board of Trustees could institute that may enhance diversity within board membership.  
|              | (Open-ended). |
| Q23          | Please share your overall observations regarding the effectiveness of the Denver Art Museum Board of Trustees’ governance and operations, including any possible areas in need of improvement.  
|              | (Open-ended). |

**Source:** City and County of Denver Auditor’s Office.

To analyze the survey responses, we downloaded the results from SurveyMonkey into an Excel spreadsheet. Next, we copied the survey results into a separate spreadsheet for analysis and conducted spot-checks of the data to ensure the copied data was complete and accurate.

Auditors compiled the results per question. For multiple choice survey questions, we calculated the overall count for each response and percentage by taking the total number of responses for each answer and dividing by the total number of respondents. For open-ended questions, we reviewed responses to identify common themes.

### Demographics Analysis

We sought to compare the demographic makeup of the Denver Art Museum Board of Trustees with the demographic composition of the Denver metro area. We chose a margin of error analysis to calculate the differences between these two data sets, because it is more reliable when dealing with a small sample size such as 35 (i.e., the number of trustees on the board).

We included gender and race demographic questions on the survey but chose to use the data from testimonial evidence provided by the board chair and confirmed by the executive assistant to the director of the museum. The data representing the Denver metro area is the latest U.S. Census Bureau data available for Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties.\(^\text{110}\)

Specifically, we analyzed two demographic categories: gender and race. We chose to include these categories in our analysis because some trustees identified these as areas of priority. To compare the board composition to the Denver metro area using the margin of error, we first converted each margin of error from a 90% margin of error.

confidence interval, the standard for data published by the U.S. Census Bureau, to a 99% confidence interval to increase the accuracy of our estimates. To convert to a 99% confidence interval, each margin of error was multiplied by the conversion number calculated by dividing the Z-Score correlated with the 99% confidence interval by the Z-Score correlated with the 90% confidence interval. This produced a new margin of error for every county in each category (i.e. men, women, white, Hispanic/Latinx, Black, Asian, and other races/ethnicities).

Then, we calculated the aggregation, which required two steps. First, we found the sum of squares by squaring all margins of error in each category per county and then added them together. Second, we found the square root of the sum of squares in each category per county. This produced the final margin of error used to calculate the minimum and maximum ranges of the ideal statistical representation. The ranges were calculated by subtracting the margin of error from the Denver metro average percentage and adding the margin of error to the Denver metro average. This produced the minimum and maximum percentages that together make up the expected range for each category. We converted the percentages into integers to show the number of people each percentage range represents. From those conversions, we assigned a nominal code of either “above,” “below,” or “within” depending on where the board composition fell in the expected range of ideal statistical representation of the Denver metro area in each demographic category.

The “Hispanic/Latinx” group includes individuals of Mexican, Puerto Rican, and Cuban heritage and other Hispanic subgroups. The “Other Races/Ethnicities” group includes indigenous people, Native Hawaiians and other Pacific Islanders, and individuals who are biracial or multiracial.

Each subgroup has a corresponding margin of error. Specifically, the “Hispanic/Latinx” group has four margins of error in each county and the “Other Races/Ethnicities” group has three margins of error in each county. Calculating the aggregation had to be done first before converting to a 99% confidence interval from a 90% confidence interval. Combining the margin of error for each subgroup to determine a single margin of error for these two aggregated groups created a larger margin of error range for the “Hispanic/Latinx” and “Other Races/Ethnicities” groups when compared to the other categories.

As shown in Table 4 on the following page, at the time of our analysis, the board lacked representation in several categories in comparison to the community it serves. Specifically, it had fewer women trustees, fewer Hispanic and Latinx trustees, and fewer trustees who belong to other races or ethnicities than the Denver metro area.

111 A Z-Score, also known as the “standard score,” measures how far (i.e., how many standard deviations) a number is from the mean of a normal distribution, or “bell curve.” For example, a Z-score of 1 indicates a number is one standard deviation from the mean. “Z-Score: Definition, Formula and Calculation,” Statistics How To webpage, accessed Nov. 12, 2020, https://www.statisticshowto.com/probability-and-statistics/z-score/.
### TABLE 4. Analysis to Identify Race, Ethnic, and Gender Representation on the Denver Art Museum Board of Trustees

<table>
<thead>
<tr>
<th>Category</th>
<th>Denver Art Museum Board of Trustees’ Composition</th>
<th>U.S. Census Bureau Data for Denver Metro Area</th>
<th>Margin of Error Range by Percentage for Ideal Statistical Representation</th>
<th>Ideal Statistical Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>By Percentage</td>
<td>Average Representation by Percentage</td>
<td>Min.</td>
<td>Max.</td>
</tr>
<tr>
<td>Men</td>
<td>60%</td>
<td>50.2%</td>
<td>48.7%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Women</td>
<td>40%</td>
<td>49.8%</td>
<td>48.3%</td>
<td>51.3%</td>
</tr>
<tr>
<td>White</td>
<td>80%</td>
<td>68%</td>
<td>67.4%</td>
<td>68.6%</td>
</tr>
<tr>
<td><strong>Hispanic/Latinx</strong></td>
<td>8.6%</td>
<td>20.2%</td>
<td>15.2%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Black</td>
<td>5.7%</td>
<td>4.0%</td>
<td>2.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Asian</td>
<td>5.7%</td>
<td>4.8%</td>
<td>3.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Other Races/Ethnicities</strong></td>
<td>0%</td>
<td>3.0%</td>
<td>0.7%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

**Source:** Auditor’s Office analysis of board composition as of April 2020 and 2019 Denver metro area demographic estimates from the U.S. Census Bureau.
Office of the Auditor

The Auditor of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver's government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City’s finances and operations, including the reliability of the City’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

Our Mission

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public's investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.