

**THE UNIVERSITY OF NEW MEXICO
ASSESSMENT OF ART COLLECTION MANAGEMENT**

THE UNIVERSITY OF NEW MEXICO

**Report 2007-34
September 28, 2007**



Audit Committee Members

Raymond Sanchez, Chair
John M. "Mel" Eaves, Vice Chair
Carolyn Abeita

Audit Staff

G. Christine Chavez, Audit Director
Yvonne Cox, Internal Audit Manager
Bill Cottrell, Senior Auditor

CONTENTS

EXECUTIVE SUMMARY 1

INTRODUCTION..... 3

 BACKGROUND 3

 PURPOSE..... 3

 SCOPE 4

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES 5

 TYPES OF ART COLLECTIONS AT UNM 5

 Fine Art Museums and Galleries 5

 Anthropology, Biology & Geology Museums..... 6

 Art In Public Places 6

 Other Collections 7

 ART COLLECTION POLICIES 8

 INVENTORY AND DOCUMENTATION 11

 SECURITY AND PRESERVATION OF ART COLLECTIONS 15

 Security of Art Collections 15

 Accreditation of UNM Art Museum and Harwood Museum 16

 VALUATION ISSUES..... 17

CONCLUSION 20

APPROVALS 20

ABBREVIATIONS

AAM.....	American Association of Museums
UNM Art Museum.....	University of New Mexico Art Museum
Foundation.....	The University of New Mexico Foundation
GASB.....	Governmental Accounting Standards Board
Harwood.....	Harwood Museum of Art
HSC.....	Health Sciences Center
Maxwell.....	Maxwell Museum of Anthropology
Biology Museum.....	Museum of Southwestern Biology
NM RMD.....	State of New Mexico General Services Department Risk Management Division
Tamarind.....	Tamarind Institute
SRS.....	UNM Department of Safety and Risk Services
UBP.....	University Business Policies and Procedures Manual
UNM.....	The University of New Mexico

EXECUTIVE SUMMARY

The University of New Mexico (UNM) owns a diverse art collection managed by a number of different museums, galleries and departments. We reviewed policies and approaches for cataloguing, inventorying, valuing, preserving, and securing the art collection. We made recommendations to enhance the management of these valuable resources.

The collections included in our review consisted of fine art, anthropological, biological, and geological collections, and art in public places. The collections are at various locations throughout the University campuses. We recommend the establishment of either an Art Collection Committee or an Art Collection Curator to oversee the collection as a whole. All recommendations herein are oriented toward a committee or curator responsible for establishing mechanisms for ascertaining the extent of the UNM art collection, overseeing the various entities that house art collections, enforcing art collection policies, and ensuring the proper stewardship and safeguarding of the UNM art collection as a whole.

IDENTIFYING AND ADMINISTERING ART COLLECTIONS

The art collections should be managed by a centralized oversight function administered by an Art Collection Committee or Curator. The President will establish an Art Collection Curator position and Art Collection Committee to oversee the art collections.

ART COLLECTION POLICIES

The President should work with the Board of Regents to adopt a comprehensive Board of Regents policy on art collection management to safeguard these assets. The President will ask the Office of University Counsel to draft appropriate policies.

The University of New Mexico Foundation (Foundation) should receive reports for all donations of art as required by the University Business Policies and Procedures Manual. The President will request that the UNM Foundation notify departments of the reporting requirements.

INVENTORY AND DOCUMENTATION

Property Accounting Department has begun a process of identifying and inventorying the UNM art collection. Although progress has been made toward inventorying the art collections at UNM, the process has not yet been completed. The various entities should reconcile the collection on hand to the permanent record, and at the very least complete and maintain a list of the objects in their collection. The proposed Art Collection Curator will be responsible for identifying and cataloging the collections.

SECURITY AND PRESERVATION OF ART COLLECTIONS

The Board of Regents should adopt an art security policy and should have the Department of Industrial Security conduct an overall review of security procedures. The President will request the Office of University Counsel to draft the security policy and the Industrial Security Department to conduct a security review.

VALUATION ISSUES

The UNM art collection is valued for insurance purposes at approximately \$300 million and insures \$150 million at any one location. The Department of Safety and Risk Services should work with collection managers or curators to review the effectiveness of current valuation practices to assess the adequacy of insurance coverage. The Department of Safety and Risk Services will work with all parties in ascertaining the most appropriate approximation for the value of the collections.

INTRODUCTION

BACKGROUND

The University of New Mexico owns a wide variety of collections, including artwork, anthropological collections, biological and geological collections, and art in public places. The collections include donated items, items the institution purchased, and items faculty and students collected as part of teaching and research activities. These collections represent significant educational, research and financial assets to UNM.

We reviewed University policies and practices and compared them to best practices within the art collection community. Best practices were determined from inquiry of other institutions and from the American Association of Museums (AAM) and other research methods. The AAM is a national association representing museums and serves as the forum for developing industry standards and best practices for museum operations and art collections. Although the AAM primarily serves accredited museums, the standards regarding collection stewardship are applicable to all types of collections.

The purpose of each collection differs based on the mission of the museum or program. The following museums and programs house the University's collection:

- UNM Art Museum
- Harwood Museum
- Jonson Gallery
- Maxwell Museum
- Biology Museum
- Geology Museum
- HSC Art Program
- Art in Public Places Program
- UNM Departments

The collection contains valuable and irreplaceable objects used to educate through art, to directly support the academic programs of the University, to enrich the cultural life of the city and the state, and to contribute to the community. The value of art is highly subjective and difficult to determine for priceless and irreplaceable objects. Management of art collections requires the highest level of documentation and care to preserve them for future generations.

PURPOSE

The purpose of our review is to gain an understanding of the policies and practices and make recommendations to improve the management of the UNM art collection.

SCOPE

We inquired into art collection practices employed at the University, but did not audit the practices and policies, or the departments, programs and museums holding art collections. We broadly reviewed the location, documentation, security and valuation of the various art collections at UNM, and compared them to practices at other universities, and to state and national guidelines.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

IDENTIFYING AND ADMINISTERING ART COLLECTIONS

The various types of art collections at UNM, each with an autonomous management, has led to a decentralized structure where no central authority has an overall understanding or knowledge of the extent, location, or condition of the UNM art collection as a whole. Best practices in the art collection industry indicate that large art collections are best managed by a centralized Art Collection Committee or an Art Collection Curator that is responsible for enforcing policy, establishing guidelines for approving and accepting gifts of art, disposing of art works, administering art programs and overseeing all matters affecting art collections.

Our review, to the extent possible, endeavored to discover the existing art collections owned by the University. The following discussion is not intended to be an exhaustive list of all collections owned by UNM.

Fine Art Museums and Galleries

UNM Art Museum

With close to 30,000 objects, the UNM Art Museum houses by far the largest fine art collections in New Mexico. These collections enable the museum to fulfill its mission to educate through art, to directly support the academic programs of UNM, to enrich the cultural life of the city and the state, and to contribute to the academic community. The UNM Art Museum is working toward AAM accreditation.

Jonson Gallery

Raymond Jonson, a painter and a Professor Emeritus of UNM, established the Jonson Gallery in 1950 on the UNM campus. Within his lifetime, Jonson created roughly 2,000 works and approximately 600 of these works reside in the Permanent Retrospective Collection of Jonson Gallery, along with another 1,200 permanent collection works by his students and contemporaries. The gallery became part of the UNM Art Museum upon his death in 1982.

Harwood Museum

Established in 1935 by artists Burt and Elizabeth Harwood, the Harwood Museum is New Mexico's second oldest museum. Located in Taos, New Mexico the museum receives some 17,000 visitors annually from all over the United States and Europe. The Harwood's permanent collection includes over 1,800 works of art and a photographic archive of 17,000 images spanning a period from the 19th Century to the present. The Harwood Museum is working toward AAM accreditation.

Tamarind Institute

The Tamarind Lithography Workshop began in 1960 to revive the art of Lithography. Changing its name in 1970, Tamarind moved operations from Los Angeles to Albuquerque, where it became a division of the College of Fine Arts at UNM. The UNM Art Museum archives two

impressions of every Tamarind edition, both from Los Angeles and from its continuing Albuquerque productions. The number of objects in the collection was not determined.

Anthropology, Biology & Geology Museums

Maxwell Museum of Anthropology

The Maxwell's broad mission encompasses the entire history of humankind. The museum's collections, numbered in the millions of objects, are worldwide in scope, with extensive holdings from throughout North, South, and Central America, Africa, Asia, Australia and the Pacific Islands. With its primary emphasis on the Southwest, the Maxwell is world-renowned for its holdings from this region. These materials represent all fields of anthropology and constitute a major database for research at the museum. The Maxwell is accredited with the AAM.

Museum of Southwestern Biology

The Biology Museum is a research and teaching facility in the Department of Biology at the University. The Biology Museum houses collections of vertebrates, arthropods, plants, and genomic materials from the American Southwest, Central and South America. The Biology Museum consists of nine divisions, one special program, and an inter-divisional program in biodiversity informatics. The number of specimens in each division ranges from 24,000 to 500,000 specimens, and each division or program sets its own policies for visitors, researchers and data inquiries.

Geology Museum

Established in the 1930s the Geology Museum provides public exhibits of mineral, fossil, and rock specimens. The material on display represents a small portion of the geological collections of the Department of Earth and Planetary Sciences. The collection includes nearly 20,000 catalogued specimens used in research, teaching, and as reference materials.

Art In Public Places

UNM has a distinguished public art collection consisting of large outdoor sculptures, various paintings and wall hangings in publicly oriented buildings on campus, including the Student Union Building, Scholes Hall, Popejoy Hall, Dane Smith Hall, and UNM Hospital. Public art is also located on UNM branch campuses since they receive dedicated public art funds that accompany most capital outlay funding from the State of New Mexico Legislature. The Art in Public Places Committee has not catalogued the inventory since 2001; therefore, the total number of objects in the collection is unknown.

One percent for Art Program

The State of New Mexico, Department of Cultural Affairs, New Mexico Arts Division administers the Art in Public Places Program. The Art in Public Places Act designates 1% or \$200,000, whichever is less, of money appropriated by the State of New Mexico Legislature for

new construction or any major renovation exceeding \$100,000 to go toward purchase or commission of Art in Public Places.

UNM Art in Public Places Committee

The UNM Art in Public Places Committee is UNM's representative body for evaluation and formal administration of art procured using New Mexico State Public Art policy. The Committee consists of the UNM Art Museum Director, UNM College of Fine Arts faculty, a representative from the UNM School of Architecture and Planning; a representative from HSC; two practicing artists and the University Architect. When applicable, the UNM Campus Planner and UNM Landscape Architect also participate. The Committee operates principally on Main Campus in Albuquerque and advises the Branch Campuses when requested. UNM owns art purchased or commissioned through the Art in Public Places Program, unless the art is deaccessioned, in which case it reverts to the artist.

Special Acquisitions

On occasion, UNM receives art pieces donated by artists or estates. UNM does not have a formal policy governing the acceptability or artistic value of art acquired by donation. Previous administrations have relied on advice from the Director of the UNM Art Museum and College of Fine Arts faculty.

Other Collections

HSC Art Program

The UNM Health Sciences Center Art Program was established in 1991. The initial works of art were acquired through donations and purchases made through the Art in Public Places 1% for art program. Over the years, the HSC has received many additional gifts and the collection now numbers more than 700 pieces valued at over \$1 million.

Zimmerman Library Art Collection

Zimmerman Library holds a small collection of 21 painting, drawings, and periodicals. The art objects, acquired through donation directly to Zimmerman Library, are not associated with either the UNM Art Museum or the Art in Public Places program.

Art in UNM Departments

UNM Policy allows donations of art to any department as designated by the donor. Because UNM does not have a central Art Collection Committee or Curator, the extent of art owned by various UNM departments is unknown.

Alternatives to managing a large and diverse art collection range from self-governance to management by third parties. The University's extensive collections and the expertise required to manage them may make outside management consulting cost prohibitive. A more cost effective alternative is establishing a Head Curator position or setting up an Art Collection

Committee comprised of the qualified art experts and professionals already employed in the University system.

Recommendation 1

The President should request either an Art Collection Committee or an Art Collection Curator to govern the extensive and diverse UNM art collection. The Committee or Curator should endeavor to determine the extent of the University's art collection, establish guidelines for the management of the collection, and provide oversight of matters such as:

- Accreditation of museums
- Ascertaining the existence of all art
- Maintaining a list of holdings in the collections
- Acquisition and disposition of art
- Location and documentation of art
- Security and preservation of art

Response from the President

After a budget feasibility review performed under the direction of the Executive Vice President of Administration, the President recommends the creation of the position of an Art Collection Curator. This position should be filled by January, 2008. The curator would perform the tasks outlined in this report under the direction of an Art Collection Committee, composed of qualified experts whose duties shall involve, oversight of the activities of the curator, coordination of the collection and the establishment of collection guidelines. The Art Collection Committee shall be appointed by February, 2008.

ART COLLECTION POLICIES

The University does not have a clear and comprehensive policy on the management of its art collections. As a result, existing policies for art collection management are decentralized within the various entities holding the collections. While entities such as museums should have individual collection policies, the University should also have a clear and comprehensive policy on its art collection as a whole. Best practices indicate that clear and comprehensive policies on art collection lead to better stewardship, care and preservation of the collections for future benefit.

Art collections generally fall under the current policies of gifts to the University and property management and control. These policies do not address the specific issues that are inherent in art collections. The current policies are broad and general and do not address the specific issues

involved in management of the UNM art collection. The Board of Regents policy Section 8.5 “Museums” Board of Regents Policy Manual states:

In furtherance of its educational mission and its commitment to public outreach, the University houses significant collections of art and artifacts in its various museums. To preserve the cultural, scientific, and historical value of these collections, the University shall ensure that they are protected from unwarranted deterioration or deaccession.

The only University policy concerning management of art collections deals with disposition of works of art. Section 5.5. “Property Management and Control” Policy 7710, UBP states:

Any funds received from the sale of works of art, historical treasures, or special collections must follow the UNM Board of Regents' policies and procedures related to accessioning (adding) and deaccessioning (removing) of such objects. In general, as these collections are held for public exhibition, education, or research in furtherance of public service rather than financial gain, the proceeds will be used to further these goals and objectives.

UBP Policy 7110 exempts certain departments and museums from the requirement of gaining approval for gifts of art. Section 8. “Gifts of Tangible Personal Property” Policy 7110, UBP states:

Some University departments have their own policies and procedures for accepting and disposing of certain categories of gifts of tangible personal property. These departments are therefore exempt from the requirement to obtain Development Office approval under Section 2. herein for those gifts described in their respective policies and procedures. These departments shall, however, report gifts to the Development Office as provided for under Section 6. herein. The exempt departments are:

- University Art Museum
- Jonson Gallery
- Maxwell Museum
- Museum of Southwestern Biology
- Health Sciences Center Library

In addition, the General Library and Law Library are also exempt subject, however, to the requirement that acceptable written policies must be promulgated within one (1) year after adoption of this policy.

Section 1. “Gifts Made to the University” Policy 1030, UBP reads in part:

To ensure effective development and management of private support and compliance with Internal Revenue Service regulations, the University coordinates all efforts to obtain and increase private support through the University of New Mexico Foundation, a non-profit corporation. The Foundation was chartered by the University of New Mexico Board of Regents in 1979 to solicit, accept, and manage private contributions for the purpose of promoting the educational, research, and service commitments of the University. The University Development Office staffs the Foundation under the oversight of the Foundation Board of Directors and the Vice President for Institutional Advancement. All gifts received by the University, including gifts to colleges, schools, departments, and/or programs, must be reported to the Development Office.

UNM Foundation personnel suspect that gifts are under-reported to the UNM Foundation. Per UNM Foundation staff, museums and galleries intermittently report gifts and departments do not report gifts at all.

The UNM art collection is a substantial and valuable asset that warrants a clear and comprehensive policy to ensure proper stewardship and safeguarding of the artwork. Practices at other institutions indicate that clear and specific policies toward art collections are an important aspect of collection stewardship. New Mexico State University has an Art Collection Policy that include procedures for:

- The Art Collection Committees,
- Acquisition and disposition of artwork,
- Valuation and appraisals,
- Restoration and repairs of art works,
- Documentation, and
- Gifts and bequests of objects of art.

Recommendation 2

The President should request that the Board of Regents develop a clear and comprehensive policy governing its art collection. The comprehensive policy should include but not be limited to establishment of an Art Collection Committee or Head Curator position with central oversight, acceptance of gifts of art, accession and deaccession of art in museums, inventory and cataloguing of art collections, security and preservation of collections, valuation of collections for insurance purposes and requirements for central reporting and monitoring.

Response from the President

The President's Office will request the Office of University Counsel to draft a proposed policy by February, 2008 including the recommendations in #2 for submission to the University Policy Office pursuant to UNM Business Policy.

Recommendation 3

The current policy requiring donations of art be reported to the UNM Foundation should be enforced. The President and the Director of the UNM Foundation should send notices to deans and directors reminding them that they are required to report gifts of art to the UNM Foundation.

Response from the President

By February, 2008, the Office of the President will direct the Director of the UNM Foundation to send notices to all deans and directors requiring them to report gifts of art to the UNM Foundation and the Art Collection Curator.

INVENTORY AND DOCUMENTATION

In the FY 2006 financial audit, the external auditors recommended the University develop a clear policy requiring an annual inventory be conducted along with a certification of the inventory from the respective museums.

Personnel in the Controller's Office indicate that the external auditors report comment in the 2006 financial statement audit has been resolved. Proposed policy changes will require museums and departments to provide UNM Property Accounting with a list and description of inventory efforts performed during the year. Museum personnel conducted an inventory and reported the results to Property Accounting at year-end, which sufficiently resolves the finding.

Pursuant to Government Accounting Standards Board pronouncement No. 34, the various art collections owned by UNM are not required to be capitalized or shown as assets in the financial statements. The notes to the University's 2006 financial statements state:

As an institute of higher education in existence for over 100 years, the University of New Mexico has acquired significant collections of art, rare books, historical treasures and other special collections. The purpose of these collections is for public exhibition, education or research in furtherance of public service rather than financial gain. They are protected and preserved, subject to the Regent's policies regarding accessioning and deaccessioning. However, because of their invaluable and irreplaceable nature, these collections have not been capitalized.

Museum Inventory Documentation

The AAM establishes professional standards regarding handling, cataloging, and documenting museum collections. Adherence to the standards is required to maintain accreditation. Taking a complete inventory is a complex process that requires the following documentation: attestation of physical existence of the piece, where the piece is located, a detailed description of the piece, photographic evidence of the works, a detailed assessment of the work's condition, and a complete exhibition history of the work. This information is documented in the database, as well as in files that are subject to review by the AAM.

The useful life of artwork is shortened each time it is moved, handled, and photographed. Therefore, the inventory process must be weighed against the need for preservation of the artwork for the future. Inquiry into practices of other museums in New Mexico revealed that a standard practice is to inventory 10% of a museum's collection each year, completing a full inventory every ten years. UNM Property Accounting conducted a review of the inventory of art collections and provided us with the following status of known art collections.

UNM Art Museum & Jonson Gallery

The UNM Art Museum, including Jonson Gallery, maintains a perpetual inventory database in a specialized program designed specifically for museums. With close to 30,000 objects of art, it is expensive and time consuming to conduct an annual inventory of the entire collection; therefore, the museum performs cycle counts on a periodic basis. A physical inventory has not been taken since 2002. Museum personnel indicated they typically perform full physical inventories every eight years; the next inventory will take place in 2010.

Tamarind

Tamarind maintains a customized computer database of their inventory, comprised solely of lithographs. Maintained on a perpetual basis, the inventory is updated daily as lithographs are bought and sold. Tamarind archives are also maintained in the database.

Harwood Museum

The Harwood Museum's inventory lists approximately 2,520 objects in their collection. The museum maintains a database of art inventory using specialized computer software. The inventory is maintained on a perpetual basis that is continually updated as transactions occur.

Maxwell Museum

The Maxwell Museum is accredited by the AAM. The museum has millions of objects in their collections and would require several years to perform a complete museum inventory. The collections are located in the Maxwell Museum, the Hibben Center, the Anthropology Building, and a warehouse on North Campus. The warehouses on North Campus primarily house fragments and other pieces from archeological digs.

The Maxwell Museum receives continuous requests from researchers to examine items from the collection. Upon each request, the item must be located and the documentation reviewed, which constitutes a partial count of the inventory. As with the UNM Art Museum, the life of an object is shortened each time an object is handled. The last full physical inventory was taken in 2002.

Biology Museum

The Biology Museum maintains its inventory consisting of specimens in a database that can be queried on-line from the museum's website. The inventory is considered a perpetual inventory system that is continuously updated for loans, additions and removals. The collection is divided into nine divisions each having its own collection manager. As with the Maxwell Museum, the Biology Museum has numerous requests to examine specimens and each request constitutes a partial count of the inventory.

Geology Museum

The mineral collection at the Geology Museum is documented in a database, however the display in the Museum is considered static and does not typically change. The museum also has storage space with thousands of rocks, minerals, and fossils. The items in the inventory do not have an intrinsic monetary value and the collection is primarily for scientific and teaching purposes. Fossil collections are listed in a book, but have not yet been entered into a database due to lack of resources and personnel.

HSC Art Program

HSC Art Program houses its collection in UNM Hospital and approximately 20 other buildings on UNM North Campus. The HSC Art Program also maintains an art gallery in the UNM Hospital. HSC stores excess inventory at Untitled Fine Arts, a private warehouse in downtown Albuquerque. The program maintains a computerized database to track inventory and a complete physical inventory is scheduled for 2007.

Zimmerman Library

Zimmerman Library has a small collection of twenty-one paintings, drawings, and periodicals. An inventory was conducted in 2007 and reported to UNM Property Accounting.

Art in Public Places

An inventory of the collection is located in the office of the Director of the UNM Art Museum. The collection is fully documented through 2001 with complete descriptions and photographic evidence. The documentation is maintained in hardcopy binders and is the responsibility of the Art in Public Places Committee chairperson. The documentation information on acquisitions since 2001 is available in separate files, but had not yet been compiled into the inventory records due to lack of resources and personnel.

The AAM sets the standard of documenting and cataloguing art collections. Documentation is an expensive, time consuming, and labor-intensive process. Proper documentation of art objects involves: verifying the existence of the artwork, describing it in detail, photographing it as

evidence, completing an assessment of the object's condition, and thoroughly documenting the exhibition history of the artwork. Failure to properly document art could lead to loss of accreditation in a museum setting (or failure to acquire accreditation) and undetected mishandling or misappropriation of the art.

Stewardship and accountability requires that each piece have an accession number properly placed so as not to devalue the piece. At regular intervals, items in the collection, including items in storage, should be compared to the permanent records. To improve control and accountability UNM should designate a central function to maintain the inventory list and ensure compliance.

Recommendation 4

The proposed Art Collection Committee or Art Collection Curator should ensure that the various museums, galleries, departments, and art programs have developed processes for inventorying and cataloguing the collections. Documentation and cataloguing of the Art in Public Places collection should be completed and brought up to date.

Response from the President

The President agrees that one of the tasks of the proposed Art Collection Curator will be to develop processes for inventorying and cataloguing the collections. These processes shall be in place by April, 2008. Additionally, under the Art Collection Curator's supervision, the Art Public Places collection shall be catalogued and brought up to date. This task should be completed by June ,2008.

Recommendation 5

At a minimum, the University should perform a physical inventory of valuable pieces in the University's collection and compare it to the permanent record.

Response from the President

The Art Collection Curator will identify and inventory the valuable pieces in the University's collection and compare it to the permanent record. This task should be completed by December, 2008.

SECURITY AND PRESERVATION OF ART COLLECTIONS

Security of Art Collections

The museums, galleries and departments at UNM have a wide variety of security measures in place, however there is no overall plan for art collection security as a whole, and the University does not have a written policy on security of the collections. Security and preservation of art collections is an important part of the mission of each museum and department holding a collection. The main threats to the art collections at UNM are theft, vandalism, fire and water damage, and deterioration of the collection through exposure to the public. The objective of making collections accessible to the community must be weighed against sound security and preservation measures.

Best industry practices suggest that the University should develop a written policy on the security of the collections as an important part of the comprehensive art collection policy. In developing the policy, security personnel should consult with administrators and staff, legal authorities, and other knowledgeable persons. The policy should include a standard operating procedure on dealing with thefts, or other security problems, and should be kept up-to-date with current names and telephone numbers of institutional and law enforcement contacts. Museums and collections that lack appropriate staff resources may wish to bring in a security consultant to assist in developing a policy and in determining any major threats to the collection.

Security practices for the art collections at UNM are as diverse as the collections themselves. Museums and galleries have alarm systems and restrict access to the collections. They also have fire suppression systems, climate control systems, and employ special security hardware to hang artwork. The museums employ good internal controls over keys, vaults, and storage spaces. Art acquired through the 1% for Art Program is required to be adequately secured and mounted in public places, however we noted that some pieces, although protected with plexi-glass on the front, were exposed on the sides. The HSC Art Program stores a portion of its collection at a downtown storage facility. The warehouse maintains a temperature-modified (not climate controlled) art storage facility and is secure with controlled access. The warehouse does not have a fire suppression system. The warehouse does employ an armed response security system; and University artwork is labeled and stored in bins and storage racks.

Recommendation 6

The President should request that the Board of Regents adopt a policy to preserve and secure valuable works of art as a part of the comprehensive art collection policy. The University's Industrial Security Department should conduct a security review of the buildings that house the art collections at UNM.

Response from the President

The President will request the Office of the University Counsel to draft a policy by February, 2008 to secure and preserve valuable works of art pursuant to the response to recommendation #2. The Industrial Security Department shall conduct a security review of the buildings that house the art collections and report status to the office of the President by January, 2008.

Accreditation of UNM Art Museum and Harwood Museum

The Maxwell Museum is an accredited museum, however, two of the University's main fine art museums have not yet attained accreditation with the AAM. While the Harwood Museum and the UNM Art Museum have initiated the process of accreditation, there is a need for proper governance and oversight to complete the process.

The director of the UNM Art Museum retired in June 2007. An interim director will manage the museum pending the outcome of a national search for a permanent museum director. In July 2007, the museum is transitioning from self-governance to direct oversight by the College of Fine Arts.

The UNM Art Museum is in the process of applying for accreditation with the AAM. The process involves a documented self-assessment of museum operations and practices followed by an on-site review by the accreditation committee of the AAM. Among the requirements for accreditation are installation of climate control systems, proper governance of the museum, and a permanent museum director. In 2004, in anticipation of the accreditation process, the museum installed a heating, ventilation, and air conditioning system for environmental climate control. The accreditation process is on hold until the change in governance structure is complete and a permanent museum director is appointed.

Preservation of collections is generally one of the main missions of museums and galleries. Making collections accessible for cultural and academic advancement must be weighed against the preservation of the collections for future generations. The most expedient manner to accomplish the missions of accessibility and preservation is for museums to submit to the standards and best practices of the AAM. Bringing the institution under the guidance of the standards and best practices is accomplished through the accreditation process of the AAM.

The benefits to the University of having accredited museums include a program of improving the security, preservation, documentation, and governance of its art collections that are held in museums. The AAM standards and best practices may also provide valuable guidance for those collections not held in museums or not seeking accreditation.

The following are some of the characteristics of a museum accreditable by the AAM:

- An accredited museum is required to have a formal program of documentation, care, and use of collections.
- Knowledge of what collections are in its custody, where they came from, why it has them, and their current condition and location.
- Guided by its mission, provides public access to its collections while ensuring their preservation.
- Takes appropriate measures to protect itself against potential risk and loss.
- A reasonable percentage of the permanent collection is cataloged, inventoried, and visually documented.
- A system of documentation, records management, and inventory is in effect to describe each object and its acquisition (permanent or temporary), current condition and location, and movement into, out of, and within the museum.
- The museum regularly monitors environmental conditions and takes pro-active measures to mitigate the effects of ultraviolet light, fluctuations in temperature and humidity, air pollution, damage, pests, and natural disasters on collections.
- Safety and security procedures for collections in the museum's custody are documented, practiced, and addressed in the museum's emergency/disaster preparedness plan.

Recommendation 7

Museum management should expedite the accreditation process of its museums by appointing permanent museum directors and ensuring the governance structures meet AAM accreditation standards. The proposed Art Collection Committee or Art Collection Curator should work with museum directors and other art collection managers to implement AAM practices and standards for preservation and security of collections.

Response from the President

The President agrees that the Art Collection Curator should work with all museum directors and managers to implement AAM practices and standards for preservation and security of collections. This should be a goal for the Art Collection Curator for the 2008 calendar year and be substantially completed by the end of 2008.

VALUATION ISSUES

The valuation of an art collection is a controversial and complicated issue. There are many reasons why an object of art, or an entire collection might be appraised, including establishing value for federal income tax deductions by donors, determining a fair sales price for

deaccessioning artwork from a museum, financial reporting issues, and insurance purposes. Concerning federal income tax deductions, best practices require donors to obtain their own independent appraisal. The institution as a concerned party is prohibited from providing any values to donors as a basis for tax deductions. Valuation is not required for institutions reporting art collections in their financial statement under the provisions of GASB No. 34.

Appraisals of art objects is very subjective and is expensive due to the unique nature of individual pieces of art and the expertise required to value these assets. Professional appraisals are expensive and generally only done for individual pieces of art. Valuation of a single object can take considerable time and expense, while valuation of an entire collection is usually cost prohibitive.

Insurance coverage is the main reason for valuing an entire art collection. The University's insurance coverage for its art collection is based on values determined in 1985, increased by an inflation factor of 10% each year. Our discussions with other museums throughout the state indicated this methodology is standard practice in New Mexico. In most cases, the other museums did not know how the base values were established, and the inflation factors ranged from 2% to 10%.

The value of the University's art collection based on amounts reported to the Department of Safety and Risk Services is approximately \$300 million as follows: UNM Art Museum \$150 million, Jonson Gallery \$28 million, Harwood Museum \$21 million, Maxwell Museum \$10 million, Art in Public Places \$15 million, and HSC Art Program \$1 million. The UNM Library collection is valued at \$75 million, which includes paintings, periodicals, special collections, and historical items.

The University's insurance carrier is the State of New Mexico General Services Department Risk Management Division (NM RMD). The coverage includes a \$1,000 deductible for works of art, and insures \$150 million at any one location. The University's Department of Safety and Risk Services indicated that the coverage in place is adequate, although the amounts reported to the Department are based on valuations made more than 20 years ago.

Recommendation 8

The Department of Safety and Risk Services should review the methodology for determining insurance values of the various art collections at UNM. The Department should work with the proposed Art Collection Committee, the Art Collection Curator, or directors of the museums and galleries to determine if the basis for valuation and annual inflation factor is still valid and sufficient. The Department should adequately document the specific methodology of valuation of art collections. The Department may want to consider commissioning appraisals for the certain valuable pieces of art to determine if the current coverage is sufficient.

Response from the Director of the Department of Safety and Risk Services

SRS will work with all the parties in ascertaining the most appropriate approximation for the value of the collections and request that the state ask others who are co-insureds to take similar action in evaluating their collections to avoid an unfair shift of premiums to UNM.

It is the responsibility of UNM Safety and Risk Services Department to report the overall value of the collection annually as established by the professionals managing the collections to the insurer. Should a loss occur, UNM must then prove the loss. Depending on the circumstances of the loss, multiple sources are used to verify the loss. The commercial carrier may assign an adjuster of their choosing who is an expert in similar art collection losses to assist in resolving the claim.

SRS has initiated a program of documenting with digital photography fine arts by location in case of loss. This is an ongoing long-term project that will involve every department that exhibits fine arts and will not displace the efforts of the professionals responding elsewhere in this audit. An appraisal of the entire collection would cost hundreds of thousands dollars and is not required by the commercial carrier.

The State of New Mexico General Services Department Risk Management Division (RMD) insures the first \$50,000 of coverage and limits above that amount are purchased from a commercial carrier. The limits of the commercial coverage are: \$150 million at any one named location, \$150 million for terrorism, \$150 million in the annual aggregate, \$40 million in any one transit, each and every, worldwide, \$40 million at any other unnamed location, each and every, worldwide. There are no deductibles for loss to collections loaned to UNM from other collections. There is a \$1,000 deductible for each and every loss (occurrence) to permanent collections while at named premises. The annual premium is approximately \$126,000.

Program initiated: September 15, 2007.

Assessment of project magnitude: June 2008

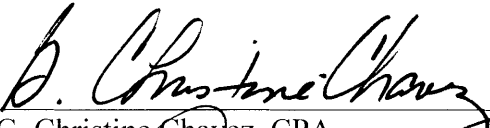
Completion: Surveys of fine arts value are provided to the state for assessing premium each year. As this project progresses, the surveys will become more accurate each year. This program dictates continual maintenance and expansion to be inclusive of all possible fine arts. It is expected that the initial documentation will require at least 3 years. The timeframe is confined by resources.

CONCLUSION

We reviewed the current art collection policies and practices in operation at the University. The purpose of our review was to gain an understanding of the extent of the art collections and make recommendations on how to improve overall art collection management. We did not audit the art collections or the policies and practices. Our inquiries focused on the University's identified museums and galleries, and art located in public places. We compare practices at these locations with practices at other universities, and with state and national guidelines and made recommendation based on these guidelines.


The autonomous management of the University's collection has led to a decentralized structure where no central authority has an overall understanding or knowledge of the extent, location, or condition of the University's collection as a whole. The establishment of an Art Collection Committee or Art Collection Curator to oversee the University art collection as a whole is a common industry practice. We also recommend implementation of a Board of Regent's art collections policy which includes a security policy, a review of the security procedures currently employed, and an evaluation of the methods used to determine insurable values of the various art collections.

APPROVALS



G. Christine Chavez, CPA
Director, Internal Audit Department

Approved for Publication



Chair, Audit Committee