



PERFORMANCE AUDIT

HISTORICAL SOCIETIES

**Report to the Arizona Legislature
By the Auditor General
October 1995
Report #95-7**



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October 24, 1995

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

Dr. Michael Weber, Executive Director
Arizona Historical Society

Mr. Richard Sims, Executive Director
Prescott Historical Society

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Historical Societies. This report is in response to a May 5, 1993, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review set forth in A.R.S. §§41-2951 through 41-2957.

The report addresses both the Arizona Historical Society (AHS) and the Prescott Historical Society (PHS). Regarding AHS, we found that the Agency needs to improve the care of its historical collections to ensure Arizona's history is preserved for future generations. Further, the AHS Board needs to improve its oversight of the Agency to ensure its mission is fulfilled. Our report also discusses the delay in opening the new Papago Park Museum due to lack of fund-raising and disputes over control of the museum. Regarding the Prescott Historical Society, we found an agency with a fully accredited museum and no significant deficiencies. While we did note that the Board needs improvement in a few areas, these deficiencies have not appeared to affect the Agency's ability to fulfill its mission. Our recommendations for improvement are included in the Sunset Factors.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on October 25, 1995.

Sincerely,

Douglas R. Norton
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit and sunset review of the Historical Societies, pursuant to a May 5, 1993, resolution of the Joint Legislative Audit Committee. The audit encompassed the Arizona Historical Society (AHS) and the Prescott Historical Society (PHS). This audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957.

Arizona Historical Society

The Arizona Historical Society's mission is "to collect, preserve, interpret and disseminate the history of Arizona, the West and northern Mexico." To fulfill this mission, AHS cares for a collection of books, records, photographs, and objects related to Arizona history. For example, AHS has in its possession Wyatt Earp's shotgun and Geronimo's medicine pouch. These collections are housed and displayed in AHS museums in Tucson, Tempe, Flagstaff, and Yuma.

The Agency is governed by a 30-member board, charged with overseeing the Agency and its 60-member staff. The Board has also organized chapters to advise it on museum programs and exhibits, as well as to conduct fund-raising. Our review of the Arizona Historical Society resulted in two findings covering the need to improve museum collection management and the need for an effective governing board.

AHS Needs to Improve Museum Collection Management (See pages 5 through 11)

AHS needs to make fundamental improvements in the care of museum collections, which are its most valuable assets. In the 1980s, reviews of the AHS museums conducted by museum consultants cited serious concerns about the level of care AHS provided its collections and the deterioration of artifacts that might result. Although the reviews gave AHS direction for enhancing collections care, progress in implementing these recommendations has been slow. In fact, our consultant who reviewed the collections determined that "AHS falls considerably short of professional expectations for quality collection management and care." For example, some collections items are still stored in an unfinished attic in one museum, although this had been noted as a problem in 1989. As a result, this collection is vulnerable to roof leaks, poor ventilation, and daily weather changes.

Several factors have compromised AHS' ability to make improvements, including limited funding and inadequate staffing. In addition, routine care of the collection is, at times,

Several factors have compromised AHS' ability to make improvements, including limited funding and inadequate staffing. In addition, routine care of the collection is, at times, overshadowed by the more visible activities such as opening the new Papago Park Museum or preparing new exhibits. To ensure preservation of Arizona's history for future generations, AHS needs to increase the resources available for the care of its collections. Nearly \$1 million is needed, \$900,000 of which is needed for properly equipping the museums and upgrading environmental control systems. Another \$100,000 is needed to hire three staff to care for the collections. To accomplish this, AHS should designate a development officer position that is devoted to raising funds for all its programs, especially collection care enhancements.

AHS Board Needs to Improve as Governing Body of the Agency (See pages 13 through 19)

The AHS Board needs to improve its governance of the Agency, as it has not fully addressed some key responsibilities. As the governing body, the Board must oversee museum operations and fund-raising efforts to ensure the Agency fulfills its mission. However, the Board has not adequately fulfilled these responsibilities. For example, it has yet to complete a long-range plan for the Agency. As a result, the opening of a new museum has been delayed and collections care overlooked. Also contributing to the problems is the Board's failure to properly define and ensure affiliated groups adequately fulfill their roles. As a result, some members of the Board's affiliated groups have attempted to overstep their advisory and fund-raising roles and exert control over AHS' operations. To improve, the Board must make fundamental changes, such as completing development of policies and long-range plans, reassessing its relationship with its affiliated groups, and providing for diversity and State representation on the Board.

Prescott Historical Society (See pages 27 through 32)

The Prescott Historical Society is responsible for preserving, maintaining, and perpetuating the Sharlot Hall Museum, the gubernatorial mansion, and the historical collections located therein. PHS is governed by a 15-member board that oversees the Agency operations and its 16 staff members. Our review of the Museum facilities and functions found no significant problems. In fact, the Museum was fully accredited in 1992 by the American Association of Museums. In evaluating the Museum for accreditation, a review team found the collection storage areas to be in "immaculate condition" and the exhibits areas "well thought out." Although we did note that the Board needs improvement in a few areas, these deficiencies did not appear to significantly impact the ability of the Agency to fulfill its mission. These areas for improvement are addressed in the Sunset Factors for the Agency.

Table of Contents

Page

Arizona Historical Society

| | |
|---|-----------|
| Introduction and Background | 1 |
| Finding I: AHS Needs to Improve Museum Collection Management | 5 |
| Background | 5 |
| AHS Has Been Slow in Implementing Previous Recommendations | 6 |
| Resources for Collection Management Lacking | 8 |
| More Centralized Development and Resources Needed | 10 |
| Recommendations | 11 |
| Finding II: AHS Board Needs to Improve as Governing Body of the Agency | 13 |
| Background | 13 |
| Board Has Not Provided Sufficient Oversight of AHS | 13 |
| Board Needs to Address Several Factors to Improve Governance | 15 |
| Recommendations | 19 |

Table of Contents

| | <u>Page</u> |
|--|-------------|
| <u>Arizona Historical Society</u> (con't) | |
| Other Pertinent Information | 21 |
| Background | 21 |
| Museum Opening Delayed | 21 |
| Current Status | 22 |
| Sunset Factors | 23 |
| Agency Response | |
| Appendix A | |
| <u>Prescott Historical Society</u> | |
| Introduction and Background | 27 |
| Sunset Factors | 29 |
| Agency Response | |

Arizona Historical Society

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and sunset review of the Arizona Historical Society, pursuant to a May 5, 1993, resolution of the Joint Legislative Audit Committee. This audit was conducted under the authority vested in the Auditor General by A.R.S. §§41-2951 through 41-2957.

History and Purpose

The Arizona Historical Society (AHS) predates statehood. In 1884, at a Tucson hotel, a group of citizens formed the Society of Arizona Pioneers with the intent of preserving the history of their struggle to claim and settle the Arizona Territory. In 1897, the territorial legislature recognized and began funding the Society. In 1913, AHS became a state agency. The Society's purpose has remained consistent, though expanded, as exemplified by its mission statement:

"To collect, preserve, interpret and disseminate the history of Arizona, the West, and northern Mexico."

AHS originally operated only one museum in Tucson. Then, in the 1970s and 1980s, three local historical societies joined AHS, giving the Agency a total of four museums that cover various geographical areas of the State: Yuma, Flagstaff, Tucson, and metropolitan Phoenix. Each museum is part of a regional division, and shares the same general mission of collecting, preserving, interpreting, and educating the public on Arizona history, with each division concentrating on the history that is unique to that region. Three of the Agency's four primary museums served approximately 108,000 visitors during fiscal year 1995.⁽¹⁾ In addition, as mandated by statute, AHS certifies local historical organizations that work to preserve Arizona history around the State. Specifically, the Board certifies that these nonprofit organizations have functioning programs of historical value thereby allowing it to contract with these certified organizations to perform services for the benefit of the State.

⁽¹⁾ The fourth museum, Papago Park, located in Tempe, is scheduled to open to the public in January 1996.

Organizational Structure and Staffing

A.R.S. §41-821 establishes a Board of Directors to direct and oversee the Agency. This Board, comprised of 30 members representing all Arizona counties, meets on a monthly basis to conduct Society business. The Board members are elected by the Society's membership (a total of 3,500 members). The Board has organized four chapters to advise it on museum programs and exhibits, as well as conduct fund-raising. The presidents of these chapters, as well as some other chapter members, also serve on the Board.

To carry out its mission, the Board appoints an Executive Director and employs 60 Full-Time Equivalent staff (FTEs). The staff are organized into seven divisions, including four geographic divisions each operating its own museums:

- The Central Arizona Division will operate the Papago Park Museum in Tempe with 10 staff. It is responsible for preparing the museum for its opening, in addition to caring for the library, archives, and the almost 30,000 artifacts the Museum holds.
- The Southern Arizona Division operates three museums in Tucson with 22.5 staff. The staff work in maintaining the library, archives, and photo collections, caring for the 27,000-item collection and providing education programs. The main Tucson museum is the only museum operated by AHS that is fully accredited by the American Association of Museums, a nationally recognized organization.
- The Northern Arizona Division operates the Pioneer Museum in Flagstaff with 3 staff. The Division maintains the 12,000-artifact collection, and archival material and photos, and provides education programs.
- The Rio Colorado Division is responsible for the Century House Museum in Yuma utilizing 3.5 staff. The staff maintain a collection of 2,000 artifacts, archival material, and 12,000 photos.
- The Exhibits Division, consisting of 9 staff, assists the museums in the design and construction of exhibits. Currently, the staff are concentrating on the design and construction of the exhibits for the new Papago Park Museum.
- The Publications Division publishes a quarterly journal and books on Arizona history with 3 staff.
- The Administrative Division of 8 staff provides support for the entire society in areas such as accounting, budgeting, contracting, and personnel.

AHS also utilizes the services of volunteers to assist in a variety of activities, such as museum tours, artifacts cataloging, and gift shop operations. During fiscal year 1994-95, these individuals volunteered over 40,000 hours of service to the Agency.

Budget

In fiscal year 1994-95 AHS' \$4.9 million total budget was comprised of both state and private funding. State appropriations accounted for \$3.9 million or 80 percent of the budget and are used to pay the cost of operating the Society's buildings and for personnel. The remainder of AHS' budget is obtained privately through donations, grants, and other private sources, such as membership dues and gift shop revenues. These private monies are raised primarily to fund AHS' programs and exhibits and about two-thirds of these monies are received from donors or grantors who restrict the funds to be used only for specific purposes. For example, a corporate donor provided AHS the funding to process a particular photo collection. The remaining private monies are used to fund 11.5 staff and a portion of the Agency's operating expenses such as utilities, professional services, postage, printing and photography, and repair and maintenance expenses.

Scope and Methodology

This audit focused primarily on AHS' ability to fulfill its mission to collect and preserve our State's history, and the Board's governing structure. To assess AHS' performance in meeting its mission to collect and preserve history, we contracted with two independent consultants with expertise in this area.⁽¹⁾ One consultant evaluated the care of the Agency's Tucson and Tempe library and archives containing historic books and records. This included a followup to a 1989 evaluation of Tucson's facilities. The second consultant visited all four museum divisions to evaluate collections storage conditions and to report on progress the museums have made since they were last evaluated in the mid to late 1980s. These previous evaluations include a general assessment by the American Association of Museums (AAM) of the Yuma museum in 1983 and an AAM assessment that dealt specifically with the collection in 1986. In Flagstaff, an AAM general museum assessment was conducted in 1988. In addition, a building assessment was conducted by Janus Associates, Inc. in 1989 using the Secretary of the Interior's Standards for Historic Preservation Projects. Also in 1989, an assessment of the Tucson museum was facilitated by the Institute of Museum Services.

In conjunction with our consultants' review, we visited each museum, contacted other state historical societies and national associations, and reviewed literature on collections management.

⁽¹⁾ Appendix A (see page a-i) provides detail on the two consultants' backgrounds and areas of expertise. Copies of the consultants' reports are available for review at the Office of the Auditor General.

To aid in our study of the Agency's governing structure, we conducted a literature search to identify books, pamphlets, and articles focusing on nonprofit or government boards of directors. Our work also included an extensive review of Board minutes, observation of Board meetings, and a survey of chapter members, as well as a comprehensive survey of over 40 other state historical societies. In addition, we reviewed a study conducted by the Governor's Office of Excellence in Government in 1994, which also included information and recommendations regarding AHS' governing structure.

Our audit report of AHS presents findings and recommendations in two areas:

- The need for AHS to improve management of its collections; and
- The need for the Board to improve its effectiveness.

In addition to these areas, we present a section of other pertinent information that discusses the current status of AHS' newest museum, Papago Park Museum.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the President of the State Board, Board members, and the management and staff of the Arizona Historical Society for their cooperation and assistance throughout the audit.

FINDING I

AHS NEEDS TO IMPROVE MUSEUM COLLECTION MANAGEMENT

"Historical Collections ... are the bedrock upon which the practice of history rests."

– American Association for State and Local History

AHS needs to make fundamental improvements in the care of its museum collections. Although previous reviews provided AHS direction for enhancing its collection management, progress in implementing those recommendations has been slow. Several factors, including limited funding and staffing, and other competing needs, account for this slow progress. To ensure preservation of its collections, AHS should increase the resources devoted to basic museum functions.

Background

The preservation of historical items is a challenging but necessary component of museum management. Artifacts, photographs, and archival material are prone to the natural processes of aging and deterioration. Environmental factors such as humidity, temperature, and light levels all influence the rate of deterioration. Museums are charged with the responsibility of taking steps to slow the deterioration process in order to increase the longevity of the items in their care. By monitoring and controlling the environment and by providing proper storage areas, museums can effectively slow deterioration, thereby maintaining the collections for future generations. AHS' collections include artifacts, books, maps, photographs, and archival material such as old newspapers and business records. Items are stored at all four museums and range from the spectacular, such as Geronimo's medicine pouch and Wyatt Earp's shotgun; to the rare, such as old photographs; to the more common, such as 19th-century furniture.

Because deterioration is a subtle and somewhat less visible process, we retained the consulting services of two individuals, an artifact conservation expert and a library and archives expert, to assist us in examining preservation efforts. The consultants examined those factors that have the greatest impact on a museum's ability to effectively preserve its collection: environmental factors, storage and exhibit conditions, and the number of staff available to properly care for the collection. AHS had initiated assessments of its museums in the 1980s that allowed us to conduct a "then and now" study to determine whether conditions have improved.

AHS Has Been Slow in Implementing Previous Recommendations

AHS has made slow progress in improving its overall collection management. Despite earlier studies that identified shortcomings and proposed solutions, AHS has neglected to make improvements in some areas of collection care.

Earlier studies found inadequate conditions – Assessments of AHS museums conducted during the 1980s found a number of deficiencies that had existed prior even to AHS acquiring the museums and their collections. AHS assumed responsibility for the local Yuma County Historical Society in 1982 and the local Flagstaff Historical Society in 1984, both of which had suffered severe financial cutbacks. The previously noted assessments initiated by AHS to determine the extent of existing problems found a number of long-standing deficiencies in the areas of environmental control, storage methods, and exhibit procedures. At the same time, AHS received a grant that funded an assessment of the Tucson museum. Specifically, the assessments noted:

- **Environmental Controls** – Controls designed to protect museum collections from extreme temperature changes and other environmental conditions were inadequate in each museum. For example, the Flagstaff report noted that parts of the collection were stored in environments that were prone to extreme temperature changes and subject to large quantities of dust. In Tucson the heating and cooling system did not work properly, resulting in high temperatures which tend to accelerate deterioration of some materials.
- **Storage Methods** – Storage methods necessary to protect the artifacts were also inadequate at all three museums. For example, the Yuma report found one storage area lacked any air circulation and the main storage area subjected the collections to high light levels which, if high enough, could induce fading of the materials. The Tucson report noted that costumes and textiles were being damaged due to the manner in which they were folded and placed on narrow shelves or into boxes.
- **Exhibit Procedures** – Inadequate exhibit procedures were also noted, contributing to deterioration of certain items. For example, the Flagstaff report noted that “many objects on exhibit are exposed to too much light for too long a time,” which can cause deterioration and fading in many materials. Additionally, in Tucson, artifacts on exhibit were susceptible to contact with abrasive surfaces, which can cause scratching.

Limited improvements have occurred – Our consultant found that while some improvements have been made since the previous reviews, all three museums continue to need improvements. For example, our library and archives consultant found that the Tucson library department had completed or made significant progress on almost every recommendation made in the previous survey. While the consultant commended the

library department for its commitment and initiative she found that some areas still need work and others deserve ongoing attention. More serious concerns were identified by our artifacts consultant, who reviewed the overall condition of all the museums. In fact, she determined that "AHS falls considerably short of professional expectations for quality collection management and care." She further described conditions at the museums as those that are to be expected from local museums, not from a state-supported agency, and concluded that given present industry practices, AHS is not adequately preserving its collections.

Specifically, lack of progress was noted in the following areas:

- **Environmental Controls** – Problems regarding environmental controls over temperature, humidity, and light were found in all three of the museums. For example, the Flagstaff museum is still unable to monitor environmental conditions as it lacks the necessary tools to monitor humidity and temperature. On-site testing by the consultant found the humidity to be unacceptably low, which is a major factor in the deterioration of organic materials such as leather, wood, textiles, and paper. In addition, while the museum in Yuma has purchased environmental monitoring equipment, staff have not been able to obtain accurate readings. Further, our consultant found the temperature to be unacceptable for collections storage. For example, temperatures as high as 86° F were recorded in collections areas, though the recommended level is only 65° to 70° F. This is significant when just a 10-degree rise in temperature doubles the rate of deterioration in many materials. Finally, although the Tucson museum has addressed problems with its heating and cooling system, our library and archives consultant found that seasonal rises in relative humidity are endangering the collections. Moreover, our artifacts consultant found that the museum had exceeded the appropriate levels of moisture in the air, thereby increasing the potential for deterioration.
- **Storage Methods** – Storage problems remain an issue at each museum. For example, while some of the most vulnerable materials have been removed from the unfinished attic in the Flagstaff museum, the majority of items continue to be stored there, leaving the collection exposed to roof leaks, poor ventilation, and daily weather changes. Additionally, the Yuma museum lacks adequate storage area. As a result, items such as Native American baskets of considerable value must be stacked for storage, risking distortion of their shapes. The Tucson museum has improved storage capabilities by purchasing some space-efficient museum cabinets. However, the storage area is equipped to handle only one-half to two-thirds of the artifacts currently housed there. As a result of overcrowding, both the Museum's own items as well as borrowed items have been damaged.
- **Exhibit Procedures** – Exhibit methods in all three museums are outdated and potentially harmful to the artifacts. All of the museums use older exhibit cases constructed of less than ideal materials (wood, paint, glue) which produce gases that are harmful to many artifacts, as they accelerate the aging process. In fact, some Tucson exhibits have been on display for 20 years using such outdated materials and

methods. For example, guns were mounted with unpadded metal brackets, which could scrape or corrode them. In addition, light levels in some Yuma museum exhibit cases are three to ten times greater than recommended for light-sensitive materials such as textiles and paper objects, leading to premature fading and color distortion.

Resources for Collection Management Lacking

Lack of resources appears to be the primary factor contributing to the slow rate of progress. Limited funding and staffing have been available to provide the proper care of collections due in large part to the competing needs of more visible projects.

Limited funding available for improvements – Funding for museum enhancements has been limited to monies received from grants and other private sources. Although AHS receives almost 80 percent of its operating monies from legislative appropriations, nearly all of that amount is directed toward basic expenses such as salaries, utilities, and capital expenditures. From the remaining appropriated funds, only a minimal amount is available for collection storage upgrades and other preservation projects.⁽¹⁾ Thus, AHS' ability to affect improvements has been limited. For example, according to AHS officials, the Tucson museum received only \$2,100 in fiscal year 1994-95 for collection storage upgrades, while Flagstaff received no monies at all.

To meet additional needs, each museum depends on fund-raising and grant-writing activities. However, AHS officials report limited success in raising funds to improve the care of the collections and, as a result, many needs remain unmet. According to AHS officials, potential donors are more willing to sponsor visible projects rather than the "behind the scenes" expenses of routine collection care. For example, in fiscal year 1994-95, the Yuma museum received approximately \$1,500 from private sources for collections storage upgrades, Flagstaff received approximately \$6,500, and Tucson received about \$4,800 for its collection needs. However, these amounts are minimal when compared to the need for essential preservation items such as expensive storage and environmental equipment. For example, the 1989 Flagstaff assessment reported a need for approximately \$8,000 worth of storage units. Likewise, the 1989 Tucson assessment recommended that the Museum's long-range plan include replacing old, inefficient storage cabinets, which the staff estimate could cost up to \$100,000.

Inadequate staffing levels – In addition, museums lack the necessary staff to carry out their responsibilities, according to the consultant's assessments. While the collection has grown, doubling over the last 20 years, staffing levels have remained constant and in

⁽¹⁾ AHS has made requests for capital improvements and risk management grants to improve its facilities and collections storage capability. For example, AHS has requested \$20,000 for fiscal year 1996-97 to repair a roof leak over a collections storage area at the Yuma museum.

some instances have decreased. Our artifacts consultant specifically commented on the inadequacy of staffing at each museum:

- **Yuma** – Yuma lacks the staff to effect the changes necessary to significantly upgrade the quality of collection care and management. The 1986 assessment had noted that “job descriptions and lists of activities place collection care and documentation in the middle or at the end of the lists.” This inattention continues even today as the curator can spend only 15 percent of her time working directly with collection activities, due to her many other responsibilities. In addition, while the earlier assessment recommended adding a staff position, no new staff have been added over the last ten years. In fact, the loss of an almost full-time volunteer has effectively reduced the staff size.
- **Flagstaff** – The consultant found the Flagstaff museum to be severely understaffed. The two professional staff must share many tasks such as preparing and installing exhibits, organizing the annual festival, and conducting public programs, leaving little time for working with the less-visible collection. For example, little time has been devoted to formally documenting and processing some items which were donated to the Museum in the 1980s. Moreover, the Museum is dependent on the efforts of dedicated volunteers, whose future time commitments should not be counted upon. Without these volunteers, routine preservation needs, such as the cleaning and oiling of saddles on exhibit, may not be attended to.
- **Tucson** – The consultant found the present number of collections staff to be “clearly inadequate to cope with the extensive and growing collections management and care needs.” Though the size of the collection continues to grow, two positions have been transferred away from this museum in the last seven years. As a result, the Museum has been unable to complete some routine tasks such as documenting and registering new acquisitions. Moreover, though the Museum aspires to complete yearly inventories, it has been unable to conduct an inventory in four years.

Competing needs – Finally, the consultant expressed concern that projects visible to the public have received much of AHS' attention. For example, during the past several years AHS has been focused on building, funding, and preparing the new Papago Park Museum, which is expected to open in 1996. The consultant expressed concern that the Museum's construction and operations have already drained (and may continue to drain) AHS' limited resources to the detriment of the three other branch museums. For example, though the exhibits in all museums need renovation, the majority of exhibits personnel are working on Papago Park. Additionally, employees in Tucson had been told that the priority of the Board was to open the Papago Park Museum and that for the foreseeable future that is where new appropriated dollars would be utilized.

More Centralized Development and Resources Needed

A more concerted effort is needed to obtain the funds and resources necessary to better preserve Arizona's history. Specifically, AHS should establish a development officer position to facilitate fund-raising activities. Once the funds are raised, at least a portion of them should be earmarked for preservation needs.

Development officer needed – A first step in “jump starting” fund-raising efforts and ensuring the adequate preservation of Arizona's history is the establishment of a development officer position. Currently, fund-raising and grant writing depends largely on the initiative of individual staff in the various divisions. However, other states' experience suggests that fund-raising through a development officer could benefit AHS.

As has been done in other states, creation of a fund development officer should be viewed as an investment rather than an expense. AHS will need to invest at least \$96,000 to fund the position for two years, after which time the position should become self-supporting through private donations.⁽¹⁾ Other states surveyed all benefited from having development offices. For example, the 2.5 FTEs working in the development office of the New Jersey Historical Society raised \$700,000 in one year. Even more successful, the Colorado development office raised \$1.2 million in fiscal year 1994. On a smaller scale, the 1.5 FTEs in the Rhode Island development office raised \$150,000. Locally, the Phoenix Art Museum, which has a six-person development office, recently reported that it raised \$14 million in private funds toward its capital campaign over the last several years.

The Office of Excellence in Government also recommended the establishment of a development position, indicating that it would increase effectiveness by coordinating activities, planning for fund-raising, and developing volunteer fund-raising leadership.

More resources needed – Once effective fund-raising efforts are underway, AHS should direct sufficient resources to enhance preservation of the collection. As recommended by our consultant, AHS should provide funding for additional staff and equipment needed to carry out preservation functions. The consultant found needs in the following areas:

- **Staffing Needs** – Each museum needs an additional staff member to focus on collections care. A conservative estimate of the annual cost for such positions would be about \$30,000 each, based on current salary and employee-related expenditures (ERE) levels, for a total of approximately \$90,000.

⁽¹⁾ We estimate \$96,000 will be needed to fund the position for two years based on the median salaries for development positions in organizations with comparable budgets, as reported in the *Chronicle of Philanthropy*.

- **Equipment Needs** — Each museum is in need of some degree of environmental monitoring and storage equipment. While the consultant could not provide a specific estimate for each item needed, she estimated the total cost for properly equipping the museums to be approximately \$640,000. Further, the Tucson museum needs to continue its efforts to upgrade its environmental control system, which could cost an additional \$260,000, according to AHS staff. AHS staff should work to specifically identify equipment and storage upgrade costs and present those estimates to the Board for review.

RECOMMENDATIONS

1. AHS should fund a development officer position to enable it to improve its fund-raising and grant-writing capabilities. To initially fund this position, AHS will need to consider various funding sources, which include requesting legislative appropriations, redirecting current resources, or exploring private sources.
2. AHS should develop conservation priorities and make a firm commitment to its collection by earmarking a portion of raised funds for preservation needs, including staff and equipment.

FINDING II

AHS BOARD NEEDS TO IMPROVE AS GOVERNING BODY OF THE AGENCY

The AHS Board needs to make improvements in providing governance for the Agency. Failing to adequately oversee museum operations and fund-raising, the Board contributed to the delay in opening a new museum and the lack of progress in collections care. To improve, the Board needs to attend to basic governing board activities, restructure relationships with affiliated groups, and provide for sufficient diversity on the Board.

Background

AHS is governed by a 30-member Board as established by A.R.S. §41-821. As with any typical governing board, the Board is primarily responsible for providing a policy framework for the executive director and his staff and providing overall direction for the Agency. AHS has four chapter organizations that represent regional historical interests. The chapters are intended to serve in an advisory capacity to the Board and AHS division staff. Although the Board is ultimately responsible for raising funds for the museums' programs and exhibits, it has delegated this activity to the chapters.

Board Has Not Provided Sufficient Oversight of AHS

Until recently, the Board has lagged in fulfilling its primary responsibilities in several key areas. First, oversight of fund-raising for the Agency's programs and exhibits has been, for the most part, weak. Second, inadequate oversight of museum operations has led to the neglect of routine care of collections agencywide. Finally, the Board has not provided adequate guidance for its chapter groups; therefore, the chapters are not being utilized in a way that would fully benefit AHS.

Insufficient oversight of fund raising — Although it is a major responsibility, the Board has not provided for oversight of fund-raising activities. While a significant portion of AHS operations (programs, exhibits, collections care, etc.) must be funded by private monies, the Board does not identify fund-raising needs overall. As noted in Finding I (see page 5 through 11), the Agency has a need for resources to enhance collections management; however, it appears the Board has not adequately planned fund-raising efforts to meet these needs. Rather, funding for improvements has been requested from the Legislature or obtained by agency staff in a piecemeal fashion addressing only a

small portion of the overall need. Moreover, the Board's difficulties with its former fund-raising arm, the Arizona Historical Society Foundation, further exemplify its failure to adequately plan and oversee fund-raising activities. Although deemed a top priority, the Board has been unable to effectively guide the timely opening of the new Papago Park Museum. Because state-appropriated monies were dedicated for building operations, AHS needed to raise money through private donations to develop the exhibits necessary to open the Museum. In order to carry out this fund-raising task, the Board utilized the Foundation, a private nonprofit fund-raising organization.

However, AHS was unable to work effectively with its former Foundation to raise the needed funds. Although the Board had ultimate responsibility for the museum and its exhibits, some Foundation members wanted to determine the museum's themes and exhibits. As a result, friction occurred between AHS and the Foundation. According to information from Foundation officials, the Board did not provide them with needed input or guidance in planning the fund-raising campaign for Papago Park Museum. At the same time, AHS officials contend that the Board tried for at least six months to get financial information from the Foundation, to no avail. The inability of the Foundation and the Board to work together resulted in "institutional gridlock." Finally, the Board took control of the situation by giving the Foundation an ultimatum to either turn over financial reports or risk disassociation. When the Board did not receive the requested information, it ended its relationship with the Foundation in February 1994. However, by that time, a one and a-half-year delay toward the opening of the Museum had occurred. Since the Foundation raised only an estimated \$2.6 million during its five-year involvement in the Papago Park Museum project, the Board was left to contract with a private fund-raiser in February 1995 to raise the remaining funds needed. Since that time, the contractor has obtained almost \$3 million in donations and pledges for the exhibits. (See Other Pertinent Information, pages 21 through 22, for additional information regarding the completion of the Papago Park Museum.)

Moreover, the Board has not successfully used its chapter organizations for one of its primary purposes — fund-raising. As noted earlier, each chapter has the delegated responsibility to raise funds for its region. However, we found that very little fund-raising has occurred at this level. In fact, one chapter has raised no funds during the past several years. AHS officials and chapter members indicated that chapters do not aggressively raise funds because they feel they have no control over how funds are spent. Because the chapters are not fulfilling this responsibility, AHS staff are often left to identify their own private funding sources for programs and exhibits. While it is necessary for some staff to contribute to fund-raising activities, it appears staff spend a considerable amount of time on these tasks, rather than performing activities specific to their particular position. According to a report by the Governor's Office for Excellence in Government (OEG), some staff have spent as much as 40 percent of their time on fund development activities, such as coordinating fund-raising events.

Insufficient oversight of museums — The Board has not provided sufficient oversight of AHS' four regional museums, resulting in significant problems with the care of its collections. According to statute, the Board is the trustee of AHS' collections and is, therefore, responsible for ensuring their proper care. However, as noted in Finding I,

our review of AHS' collections found that care of these collections fell considerably short of professional standards for a statewide historical organization. In addition, while many of the deficiencies noted by our artifacts consultant had been identified in previous reviews conducted in the 1980s, little progress has been made to address these areas. While the Board has established a collections committee, responsible for general oversight of all collections, it appears there has been insufficient planning for the overall improvement of collections care. Rather, the committee's short- and long-term goals focus on updating the policy manual and implementing a statewide computer system for collections information.

Guidance for chapters is inadequate – Finally, the Board has provided little guidance to its chapter groups regarding their advisory role. We surveyed 18 chapter members to ascertain their perception of what functions they were to assist the Board in, and found that only 6 of the 18 appeared to understand their role.⁽¹⁾ Five of the surveyed chapter members believed they should have more influence and control over programs and exhibits and some even felt that it was their responsibility to run the museum. Some chapter members also seem to believe that agency staff are there to assist the chapter members – for example, asking staff to take minutes of chapter meetings – rather than the chapters and their members existing to assist the Agency and its staff. The OEG's report notes that some of AHS' museum directors spend between 30 and 40 percent of their time assisting chapter members in some way.

Board Needs to Address Several Factors to Improve Governance

The Board needs to make improvements in several key areas to improve governance. First, the Board has lagged in addressing some basic governing responsibilities. In addition, the Board's failure to properly define its relationships with its chapters and its former Foundation led to poor performance by these groups. Finally, the Board lacks the strong leadership qualities and expertise among its members necessary to increase its governance ability.

Common governing board responsibilities neglected – Although A.R.S. §41-821 charges the Board with directing and overseeing the Agency, the Board has, until recently, been relatively inactive in addressing policy and planning issues. A review of monthly Board meeting minutes for 1993, 1994, and the first three meetings of 1995 held during our audit revealed that the Board was not focusing on policy-related actions. In more recent months, various board committees have discussed such issues as revising and updating policies, discussing the Board's relationship with the chapters and considering needed

⁽¹⁾ Our survey included members from each of the four chapters as follows: Two each from the Rio Colorado and Northern Arizona Chapters, and seven each from the Central Arizona and Southern Arizona Chapters. More members were surveyed from Central and Southern Arizona as these chapters were much larger in number.

legislative changes. However, no formal board action has been taken on these types of issues to date.

The Board's lack of action on policy issues may, in part, stem from its lack of long-range planning. According to an AHS official, until recently the Board was not involved in long-range planning. In the past, any planning efforts appear to have been undertaken only at the division level. For example, the Central Arizona Chapter prepared a plan for the Division; however, the effort did not appear to involve the Board. Recognizing the Board's failure to develop long-range strategic plans, the OEG is assisting the Board in addressing these issues. According to one AHS official, all Board committees are currently updating both Board and Agency policies. In addition, the Board is beginning to work on long-range planning and has just recently developed a vision statement. However, because its work on policy setting and long-range planning is in the beginning stages, the Board should ensure that these efforts continue until completed. In addition, as recommended by literature, provisions should be made for future followup, evaluation, and update.

Board's relationships with affiliated groups have been poorly defined – The Board's relationships with its chapters and the former Foundation have been plagued by unclear delineation of authority and responsibilities. Three of the four chapters⁽¹⁾ started out as independent local historical societies, and each of these groups was granted charters⁽²⁾ from AHS at different times during the 1970s and 1980s. AHS officials confirm that the chapters are intended to be advisory groups; however, none of the four different charters spell out this advisory role. Instead, the language used in the charters implies more of a governing role. For example, one charter states that the chapter has the power to “initiate, control, manage, review, and supervise all museums, facilities and programs of the Society within the chapter area...” Also, all four charters allow the chapters to elect their own “board of directors,” implying governing responsibilities. The OEG report also recognized the unclear role of the chapters, characterizing the relationship between the Board and its chapters as unproductive power conflicts. The Board's relationship with its former Foundation also suffered from being poorly structured. For example, no provisions were made for the transfer of information between the two groups when the relationship was established. Therefore, as noted previously, the Board had much difficulty obtaining financial information from the Foundation.

The working relationship between the Board and its chapters is further confused by cross-membership, or chapter members' service on the Board. While literature indicates cross-membership can be beneficial in enhancing communication, it appears that some AHS Board members, who also serve on chapters, have had difficulty making the distinction between their governing and advisory roles. This problem was also evident in the Board's relationship with its former Foundation, as several Foundation members

⁽¹⁾ The chapters in Phoenix, Flagstaff, and Yuma were previously local historical societies. However, the chapter in the Tucson area is made up of individuals independent of any local historical group.

⁽²⁾ A charter is an authorization from an organization to establish chapters. In the case of AHS and its chapters, the charters also outline certain rights and responsibilities of the chapters.

also served on the Board. At times, these cross-members did not seem to be able to distinguish whether they were representing the Foundation or the Board. This lack of an “arm's length” relationship contributed to the failure of the relationship, according to an AHS official. Moreover, to ensure members serving AHS in more than one capacity are aware of their individual roles, the Board should make efforts to communicate the specific roles for the Board and its affiliated groups.

In order to clarify the role of the chapters, the Board should consider reassessing its relationship with these organizations and renegotiating their charters. New charters that state an advisory relationship and lay out advisory responsibilities should clarify the role the chapters are to play. As recommended by the OEG, the new charters should limit the chapters' responsibilities to fund-raising, advice, and counsel to the Board and agency management regarding programs and exhibits, and recommendations of potential new Board members. In addition to clarifying its relationship with its chapters, AHS should ensure that any future relationships with other affiliated groups, such as foundations, are properly established.

Board lacks sufficient diversity and periodic renewal – A lack of diversity and periodic renewal of Board members can lead to stagnation and further contribute to ineffective governance. For example, the OEG's report identifies the lack of museum experts or business leaders as a problem for the Board. Our review confirmed the OEG's findings. We found that the Board, as a whole, has few members with museum or management expertise. In contrast, several other states' historical societies we contacted attempt to recruit governing board members who have museum expertise or are corporate/community leaders. Moreover, literature suggests that board member traits that are most desirable include:

- **Knowledge of the organization's field of endeavors** – Members with this knowledge can help direct professional/technical staff and evaluate the technical aspects of the organization's programs.
- **Contacts** – Members with contacts can help generate private funding for the organization.
- **Management expertise and leadership skills** – Members with business and leadership skills can help run the business side of the organization, assist with legislation, and also aid in fund-raising efforts.

In addition to lacking sufficient diversity among its membership, the Board has failed to periodically renew its members, further lessening its effectiveness. According to bylaws, Board members are permitted to serve two consecutive three-year terms. However, the Board has the right to waive this requirement, thus allowing members to serve numerous consecutive terms. We identified eight current Board members who have served more than two consecutive terms, four of whom have been on the Board for over ten years or more. In contrast, literature recommends that boards establish an

automatic rotation system to assure periodic infusion of "new blood" to bring new ideas and perspectives into the organization. Typically, board members should serve no more than two three- or four-year terms consecutively, and they should complete one full year off the board before running for reelection. Therefore, the Board should take steps to address this potential problem of stagnation by removing provisions for waiving term requirements from their bylaws. The Board will soon achieve some of the needed periodic member rotation through its annual election. Some of the long-term members have indicated that they will not seek reelection at the November 1995 annual meeting.

Finally, the State has no say in Board memberships despite the large appropriation it provides. For example, the State provided approximately 80 percent or \$3.9 million of the \$4.9 million budget in fiscal year 1994-95. In contrast, most historical societies in other states that receive a majority of their funding from state appropriations have all or part of their governing board positions appointed by state officials. Moreover, the OEG's report echoes those structures by recommending that all 30 Board positions be appointed by the Governor. Therefore, while we did not determine an appropriate mix of state- and privately selected Board members, we believe that some level of state-appointed membership is needed.

RECOMMENDATIONS

1. The Legislature should consider amending A.R.S. §41-821 to provide for state-appointed members to the Board.
2. To address its governing responsibilities, the Board should:
 - Continue to work on long-range planning and policy development.
 - Oversee fund-raising activities to ensure adequate funds are available.
 - Provide an adequate level of oversight of museum collections.
3. To improve its relationships with its chapters and other affiliated groups it may deal with in the future, the Board should:
 - Reassess its relationship with its chapters and recharter them so that the advisory role of these groups is clearly stated.
 - Ensure that roles and lines of authority are clearly delineated when establishing future relationships with affiliated or support groups.
4. To increase diversity and add periodic renewal and state representation, the Board should:
 - Target corporate and community leaders and persons with museum expertise for future board membership.
 - Remove bylaw provisions that allow waiver of term limits.

OTHER PERTINENT INFORMATION

During the audit, we obtained other pertinent information regarding the completion of the Arizona Historical Society's Papago Park Museum, located in Tempe.

Background

In the early 1980s, recognizing the State's population is concentrated in Central Arizona, and in response to the inadequacy of existing historical facilities, the AHS Board of Directors declared the construction of a major new museum facility in this area to be the Agency's priority. Efforts to create, design, and construct such a facility began in 1984 when the City of Tempe donated approximately 10 acres of land in Papago Park. The Legislature appropriated funds for museum design in 1985 and appropriated funds for construction in 1988. By 1991, construction in both of the Museum was completed at a total cost of \$9.2 million. While the State funded the construction and operating expenses for the Museum, AHS was to raise funds to design and construct the exhibits.

Museum Opening Delayed

Although originally projected to open in July 1994, AHS currently plans to open the Museum in January 1996, over one and one-half years beyond the original estimate and five years after completion of the building. Poor fund-raising efforts and dispute over control of the Museum appear to be the two primary factors contributing to the delay:

- **Lack of fund-raising** – While construction on the building itself was completed in 1991, fund-raising activities lagged far behind. As noted earlier in the report, any funds for museum exhibits and programs must be raised from private donations. To do this, AHS had relied on the AHS Foundation, a private nonprofit organization, to raise the estimated \$5.5 million needed to complete the exhibits and prepare the Museum for its opening day. The first significant contribution to the Museum came in fiscal year 1986-87, when the Marley family donated \$1 million to develop the plan outlining the concept for the Museum exhibits. However, beyond that contribution there does not appear to have been sufficient planning for future fund-raising activities. According to the AHS Foundation 1993 status reports, the AHS Board failed to give adequate direction to the Foundation on fund-raising goals, time frames and priorities, and to identify potential donors for the Foundation.

Overall, the AHS Foundation did little to move AHS closer toward its overall fund-raising goal. According to an AHS official, the Foundation raised only \$2.6 million from 1986 to 1994, although the Division had estimated in 1986 that about \$5.5 million was needed. In fact, the Foundation appeared to spend much of the money

it raised on its own administration. For example, the Foundation spent \$170,000 of the \$214,000 it raised in fiscal year 1993-94 to cover support expenses. Unsatisfied with the progress of the Foundation in raising the needed funds and the weakened relationship, AHS dropped its association with the Foundation in February 1994. It was not until a year later, February 1995, that AHS hired a consultant to raise the approximately \$3 million needed to complete the exhibits and open the Museum.

- **Dispute over control of Museum** – Further delaying the Museum's opening, AHS and its Foundation wrestled for control of the project. As noted in Finding II (see pages 13 through 18), the relationship between AHS and the AHS Foundation was unstable. Further testing its relationship with the Board, the Foundation wanted involvement in exhibit construction and planning. For example, the Foundation contracted with the Bureau of Reclamation (BOR) for the construction of an exhibit, as the BOR had provided the Foundation the grant money for the exhibit. Work on this project further diverted the Foundation's attention from fund-raising.

Additional control issues surfaced when an Intergovernmental Agreement (IGA) to transfer control of the Museum to the Department of Library, Archives and Public Records was executed in 1994. According to Agency officials, members of the Foundation were involved in arranging the agreement between the Department of Administration (DOA) and the Department of Library, Archives and Public Records which was negotiated and agreed upon without AHS' knowledge. Although the Attorney General's Office determined that DOA could not transfer AHS' responsibility for the Museum to another agency, the existence of the agreement affected AHS' ability to raise funds. According to AHS officials, the turmoil caused by this proposal set back the exhibits' construction by at least one year because private donors were hesitant to give monies they had pledged when they did not know who was in control. Also due to these control issues, BOR suspended grant funding for its exhibit for several months in 1994, delaying the project's completion.

Current Status

As noted earlier, AHS is preparing the exhibits for the opening scheduled in January 1996. At that time, five of the ten planned exhibits will be completed and open to the public. According to an Agency official, the exhibits are in the final preparation stages and will open to the public as scheduled. The remaining exhibits are expected to be completed and full opening of the museum is anticipated in 1997.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona Historical Society should be continued or terminated.

1. Objective and purpose in establishing the Agency.

Although in existence since 1884, the Arizona Historical Society (AHS) was established as a state agency by the Legislature in 1913 to "collect, preserve, interpret, and disseminate the history of Arizona, the West, and Northern Mexico." AHS is also charged with designating, upon legislative approval, historical organizations for each county in the State and contracting with designated local societies for services to be performed for the benefit of the State. These contracts enable AHS to ensure that history is being adequately collected, recorded, and preserved on a local level. Statutes further specify that AHS is to publish the *Journal of Arizona History* at least four times a year.

AHS has four museums across the State (in Tucson, Flagstaff, Yuma, and Phoenix) to serve the public and also provides assistance to researchers. AHS augments its 60 staff by using volunteers who serve in many capacities and donated over 40,000 hours of time in fiscal year 1994-95.

2. The effectiveness with which the Agency has met its objectives and purposes and the efficiency with which the Agency has operated.

AHS has generally been effective at meeting its objectives, though there is some concern over its effectiveness in "preserving" history. Our consultants' review of AHS museum collections found that AHS could improve the care of artifacts in its possession in order to decrease the likelihood that artifacts will deteriorate (see Finding I, pages 5 through 11).

In addition, AHS' Board, the governing body of the Agency, needs to improve its oversight of the Agency's museums, fund-raising efforts, and relationships with its chapters and other affiliated groups (see Finding II, pages 13 through 19).

3. The extent to which the Agency has operated within the public interest.

AHS operates in the public interest by providing educational, research, and recreational opportunities to the public. AHS also provides technical assistance to local and county historical societies. AHS provides many of these services free of

charge to the public, as required by statute. Approximately 108,000 individuals visited AHS museums and attended AHS programs during fiscal year 1994-95.

- 4. The extent to which rules and regulations promulgated by the Agency are consistent with the legislative mandate.**

AHS has no statutory authority to promulgate rules.

- 5. The extent to which the Agency has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public.**

AHS has no authority to promulgate rules.

However, the public is generally informed of Board activities. For the most part, meetings of the Board of Directors are held in accordance with all Arizona governmental open meeting laws.

- 6. The extent to which the Agency has been able to investigate and resolve complaints that are within its jurisdiction.**

This factor does not apply as the AHS has no statutory authority to investigate and resolve complaints.

- 7. The extent to which the Attorney General or any other applicable agency of state government has authority to prosecute actions under the enabling legislation.**

The AHS enabling legislation does not establish such authority.

- 8. The extent to which the Agency has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.**

Our review did not identify any deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.

9. The extent to which changes are necessary in the Agency's laws to adequately comply with the factors listed in the subsection.

Our review did not identify any need for changes to the AHS statutes regarding compliance with the factors. However, we identified a need for state representation on the Board. Currently Board members are elected by the general membership of AHS as outlined in A.R.S. §41-821.C. Therefore, a statutory change would be required to mandate state-appointed members on the Board, (see Finding II, pages 13 through 19).

10. The extent to which termination of the Agency would significantly harm the public health, safety, or welfare.

Termination of AHS would not significantly harm the public's safety, health, or welfare. However, without AHS, the citizens of our State would lose a valuable educational and recreational programming center that maintains the history of Arizona, the West, and northern Mexico. If AHS were terminated, the museums could be turned over to local historical societies or some other private organization. However, because private funding covers only about 20 percent of AHS' expenses, there currently would not be sufficient funds available to maintain staffing and other operating needs of the museums.

Combining AHS' responsibilities with another related agency does not appear to be a viable option. Although other state agencies, such as Library and Archives and State Parks, appear to have overlapping responsibilities with AHS, this overlap is slight as each Agency has its own distinct responsibilities. For example, Library and Archives has one division that collects materials similar to those that AHS' archives collects; however, its primary mission involves collecting historical documents related to state and local governments. Furthermore, State Parks is responsible for the preservation of historic properties. Although AHS oversees some historic properties, this is not a major focus of the Agency, and it only becomes involved with a historic property if it is threatened with destruction. Finally, all three agencies participate jointly in the Historical Advisory Commission, which works to coordinate (to avoid duplication) historical preservation activities throughout the State.

11. The extent to which the level of regulation exercised by the Agency is appropriate and whether less stringent levels of regulation would be appropriate.

This factor does not apply as the AHS has no regulatory authority.

12. **The extent to which the Agency has used private contractors in the performance of its duties and how the effective use of private contractors could be accomplished.**

AHS has made extensive use of private contractors in its Papago Park Museum endeavor. For example, AHS has contracted out projects such as the concept plan that gave Papago Park its theme, and interactive computer programs for exhibits. In addition, the Agency used private contractors to write a grant to fund the Tucson museum's successful "El Encuentro" exhibit. Finally, AHS uses contracting for security services and accounting systems development. Given the size of its staff, AHS would not have been able to complete these activities and functions without contracted personnel.

Agency Response



Arizona Historical Society

founded by Arizona pioneers in 1884

Administrative Headquarters • 949 E. Second St. • Tucson • AZ 85719 • (602) 628-5774 • FAX (602) 628-5695

October 17, 1995

Douglas R. Norton,
Auditor General
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Dear Mr. Norton:

The following is in response to the Performance Audit and Sunset Review draft report of October 10, 1995. I wish to commend your staff for their hard work and diligence in completing their audit of the Arizona Historical Society. I do, however, have reservations about the section that focuses on collections management. Virtually the entire discussion is based on the report of a single individual who, in my opinion, has a myopic point of view. As I discussed with your staff when consultants were being suggested, I felt there was a need to have -- in addition to a conservator-- someone with a broader knowledge of history museum management. This would have provided balance to the conservator's viewpoint.

In her conclusions, the consultant states that "AHS falls considerably short of professional expectations for quality collections management and care and the conditions are those of a local museum, not a state supported agency." I vehemently disagree with this statement. Since the addition of the new wing to our Tucson facility in the mid-1970s we have been a leader in collections management and care within the state. The care of collections at AHS is equal to or better than that of other comparably funded state agencies in Arizona and elsewhere in the country. The only state-run historical agencies that exceed our standards for storage and collections management have operating budgets in excess of \$7 million. With the possible exception of the Heard Museum in Phoenix and the Center for Creative Photography at the University of Arizona, the Arizona Historical Society has the best facilities and the best collections management in Arizona. The Arizona Department of Library and Archives, State Parks, and Arizona State Museum have no climate-controlled facilities and their storage conditions are at the level of AHS's Flagstaff and Yuma operations. The report is correct when it states we need to rectify conditions in Yuma and Flagstaff, something that is well known to the AHS staff and board of directors. All of the state's collections should be placed in modern and professional collection storage.

However, the fact is that close to 60,000 of the Society's more than 70,000 artifacts are housed in clean, organized, climate-controlled facilities. In addition, virtually 100% of our libraries, photographic collections, and archives are preserved in good storage facilities.

In comparing our collections management with that of other institutions across the nation, I know that we considerably outrank facilities such as the Natural History Museum of Los Angeles County and the Museum of New Mexico. Even our Flagstaff museum, with its artifacts stored under "bad" conditions, nonetheless has its photographs and documents -- the facilities largest single collection -- well housed.

I also find fault with the report's discussion of our new museum in Tempe. The report criticizes us for not focusing enough resources on Flagstaff, Yuma, and Tucson, and suggests that we should be spending money presently committed to the Tempe museum to improve our other facilities. At the same time, the report notes the good climate controls in the Tempe facility and commends it as a modern museum. Ten years ago, the Society's collections in the Tempe/Phoenix area were housed in a historic house similar to the one in Flagstaff. The decision was made to build a modern new facility in central Arizona. Since then the board, staff, and volunteer organizations have worked very hard to create the new facility in Tempe. It is an excellent museum, with considerable capacity for skilled collections-management practices and exhibit displays. You cannot have it both ways -- that is, criticize AHS for not having a state-of-the-art facility in Tucson and, at the same time, criticize us for creating a state-of-the-art facility in Tempe. Creation of the new museum in Tempe has increased the collections-management staff for the entire Society. The legislature has been very generous in appropriating funds for the Tempe facility. As a result, we have authorization for a full staff that includes five new positions in collections management. Now, we can address similar concerns elsewhere in the state.

We have begun working with citizens, board, and staff to plan new facilities in Flagstaff. We hope to present a request to the legislature in the next budget cycle. The people of Yuma have gone to extraordinary lengths to raise money for renovating "The Molina Block." As in Flagstaff, plans are underway to construct modern storage facilities adjacent to the historic adobe building. The new facilities in Flagstaff and Yuma are imperative in order to bring collections care up to the standard recommended by the Auditor General.

I agree that environmental controls, crowding of collections, and lack of staff are all concerns in our Tucson facility. Climate control is an issue because of changes from dry desert to humid environment during Tucson's summer monsoon season. We have succeeded in slowing the drastic change in humidity, but we have not been able to eliminate it. As the Library and Archives consultant notes, slowing the change places

considerably less stress on collections than rapid and erratic shifts.

The report is correct when it notes that we are short-staffed in Yuma, Flagstaff, and Tucson. A photographer was transferred from Tucson and is now in charge of collections management in Flagstaff. Again we cannot have it both ways -- we are being criticized for losing staff in Tucson and, at the same time, for not providing enough staff in Flagstaff.

It is also true that one of our Tucson exhibits is old and outdated. I know of no other 111-year-old organization that does not have some exhibits that need to be changed. Planning and fund raising for updating the Tucson exhibits have been underway for some time.

I also disagree with the report's conclusion that collections management at AHS is jeopardized by lack of board oversight. The board has been very concerned with collections policies. In the mid-1980s the AHS board adopted a whole series of policies and procedures under which collections would be managed. The board also very correctly determined that the major issue in the Society's development was the creation of the facility in Tempe.

Board members are extremely concerned about Flagstaff and Yuma. The Society has always had an intense focus on collections management. The reports made in the 1980s all came out of the Society's desire to improve its storage conditions. That improvement has not occurred as fast as people would like is a factor of limited budgets and the economy. In fact, I would suggest that our ability to create a facility in Tempe, in the midst of a recession and years of state budget cuts, is a testament to the Society's commitment to the history it preserves and interprets.

The staff and board of the Arizona Historical Society support the Auditor General's recommendations for increased funding for collections care and for the creation of a Development Officer. In fact, on several occasions we have requested funds to expand our staff in Yuma and Flagstaff; we continue to work on a plan that will enable us to do so. Staff and board have completed considerable training, and we are in the process of implementing our strategic plan. Facilities and staff are both major areas of our planning process. AHS has one of the smallest state historical agency budgets in the country. And it is smaller still when you realize that \$1.2 million of the \$3.9 million in state appropriated dollars is for the lease/purchase of the new historical facility in Tempe.

The Auditor General's recommendation to increase funding by \$1 million is too small to construct new facilities in Flagstaff and Yuma, and to complete major renovation of the Tucson facility.

In conclusion, the Arizona Historical Society has always been concerned about its collections and collections management. We hope that the Auditor General's report will help us achieve our goal.

Sincerely, -

A handwritten signature in black ink, appearing to read "Michael F. Weber". The signature is written in a cursive style with a large, prominent "M" and "W".

Michael F. Weber, Ph.D.
Executive Director
Arizona Historical Society



Arizona Historical Society

founded by Arizona pioneers in 1884

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RESPONSE TO AUDITOR GENERAL'S REPORT, FINDING II

The following response deals only with portions of the Auditor General's performance audit which concern the Arizona Historical Society's Board of Directors.

The audit's recommendations to improve the governing abilities of the board are for the most part on point and sensible. These suggestions, however, are not novel ideas, newly raised to the board's awareness. In fact, study and discussion have been ongoing, and the board has taken action on many of them. For a volunteer board, whose members frequently travel to meetings from corners of the state six to ten hours round trip, and who receive no reimbursement or compensation for their efforts, it has shown uncommon interest, energy, and pioneer spunk in dealing with the difficulties of the past several years. Is every issue resolved? Of course not. What board could make such a claim?

In 1994, the Office for Excellence in Government reviewed the structure and management of the society and began guiding the agency toward a positive "culture change," which the board was told would take a number of years to accomplish. The society's committee on governance and policy studied the OEG recommendations, and implementation began on those which were approved by the board. Because the audit accepts OEG findings apparently without question, and because the audit effectively ended in the spring of 1995, some accomplishments of the board have been unfortunately overlooked.

The board, originally 40, was reduced to 30 through attrition but maintains representation from all Arizona counties. Board training is ongoing, beginning with a two-day retreat and several other exercises facilitated by the OEG. Recently, several board members attended the state's training for members of boards and commissions. During 1995, the board approved a vision statement; each committee articulated its duties, responsibilities, and goals; a staff member began streamlining the board policy manual; and senior staff engaged in very productive strategic planning sessions--all setting the stage for policy development at the board level and an agency wide long-range plan in the very near future.

The selection process for members of the board has undergone modification.

A board member from each of the four geographic zones of the society will be appointed by the governor, assuming approval by the legislature in its next session. A revamped recruitment system is now in place, reaching out to every historical organization on the society's mailing list, as well as to members of the business, corporate, and municipal communities. Term limitation provisions are being more strictly enforced, which will lead to renewal but also means losing institutional memory and very valuable experience.

A word about the current board. The audit accepts the 1994 OEG finding that the board lacks sufficient diversity, museum professionals, and those with management

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experience. Looking at the board list, one will find that women, Hispanics, and local founding families are well represented. Among board members elected in 1994 were a builder, a college administrator, and a former director of programming for a major Washington, D.C. performing arts complex. In November 1995, three corporate leaders are expected to join the board. Among the current members are museum directors, school administrators, elected city officials, a former state senator now in university administration, former diplomats, medical and legal professionals, authors, artists, a government manager, community volunteers, and men and women who have operated businesses and corporations. The vast majority also have direct experience with museums and/or historical societies. The wealth of talent and ability among these amateur historians who love history and wish to preserve it has accounted for many of the society's successes.

The question then becomes, with such a wealth of talent and ability, what stymied private sector fundraising and thus delayed the opening of the society's museum in Papago Park? Quite simply, the failure of the society's former foundation to raise sufficient money, coupled with various battles waged against the society for operational control of that museum. During a period of almost two years, the board had little choice but to spend inordinate amounts of time dealing with the constant onslaught. The board knew it, resented and regretted it, and was terribly frustrated by it. (See "Other Pertinent Information" for details.) As soon as the society's authority over the museum was clarified, and when the society did not receive the requested appropriated monies for a development officer, the board approved a contract with a private fund-raiser. His successful efforts have been instrumental in making it possible for the museum to open to the public in January 1996.

The board understands that some collections in certain society facilities need improved care and management but does not accept the view that there is "neglect of routine care of collections agency wide." The audit holds the society to a standard that is seldom achieved in the real world (and nowhere in Arizona with the possible exception of the Center for Creative Photography), a standard that is virtually unattainable except at institutions with lavish budgets. Repeated appeals for necessary staff positions and funds to care for collections, which the society holds in trust for the state, have been refused by the legislature. The society is hopeful that the emphasis given to this matter within the audit will result in appropriated funds being made available.

The society is a complicated network of affiliated support groups, most of which understand their roles and are content. However, the need to better define and task the four chapters has long been recognized and is under review by the board even now. Because the expectations and desires of chapter boards vary widely, and because the distinction between advice and governance has blurred over time, the society has found that the issue will not yield to a quick or easy resolution. The society board will continue to work toward a satisfactory delineation of chapter authority and the clarification of roles and responsibilities for chapter boards.

The society has a complex structure and a long convoluted history--the organization has grown more like a western weed than a disciplined plant in an ornamental garden. It should be remembered that less than 20 years ago, the society was simply a parochial Tucson institution, operating a museum there and not much else. One by one, local operations came under the society umbrella--Central Arizona, Yuma, Flagstaff, Pine-Strawberry, Douglas. Tremendously successful outreach programs began to educate and delight thousands of Arizona schoolchildren. Contracts with local historical organizations for artifact curation were instituted, along with a potent field services operation to assist those entities. Across the country, the publications division gained a well deserved reputation for professional excellence. The exhibits division brought truly first-class displays into the

Tucson museum time after time. The involvement by the Rio Colorado division in the Yuma Crossing project has brought great credit to the society.

When floods swamped the Greenlee County Historical Society museum, the society was there to offer expert assistance. When there was a need to preserve the crumbling Hubbel Trading Post in Winslow, the society stepped in. When the Guevavi mission site needed to be protected, members of the society's board assisted in negotiating necessary transfers of land. When historic locomotives in Flagstaff and streetcars in Phoenix were threatened, society volunteers gave them new life. The society protected the fledgling State History Convention until it now flourishes on its own. Historic preservation workshops and regional meetings for local groups have educated hundreds of volunteers around the state, making them powerful voices and willing hands to preserve their own history, thereby enriching us all.

The truth is that membership on the society board in recent years has been anything but a tranquil experience. The board has long recognized multiple pressing needs but has been constrained by limits of time, money, and staffing. There have been the frustrations of struggling to preserve the society as a state agency while powerful forces sought to break it apart. There have been the frustrations of repeatedly stretching limited resources thinly in order to carry out the society's mission statewide. That many members have continued to serve on the board under such conditions is a credit to their dedication to history and to the state. As a board, we may not have reached perfection, but we've made great strides. I'm proud to know the members and to have served with them.

Patricia Davis Brandt

Patricia Davis Brandt
President of the Board of Directors
Arizona Historical Society

October 18, 1995

APPENDIX A

APPENDIX A

The Office of the Auditor General contracted with Bettina Raphael and Sharlane Grant to assist in our audit of the Arizona Historical Society. As museum preservation experts, the two were contracted to assist us in assessing how effective AHS has been in preserving the items entrusted to the museums. Sharlane Grant conducted a library and archives assessment of the museum in Tucson and of the yet-to-be opened Papago Park Museum. Bettina Raphael conducted general museum assessments of the museums in Flagstaff, Tucson, and Yuma, and the Papago Park Museum. Listed below are their qualifications.

- **Sharlane Grant** – is a conservator specializing in “books and paper.” She is the Preservation Officer of the State Historical Society of Wisconsin and previously served as the Head of the Preservation Department of the Arizona State University Libraries. Ms. Grant had conducted the library and archives portion of the 1989 Tucson museum assessment. She has conducted other assessments sponsored by the Institute of Museum Services as well.

- **Bettina Raphael** – is the owner/conservator of the Southwest Conservation Laboratory in Santa Fe, New Mexico. The Southwest Conservation Laboratory provides general assessments, condition surveys of artifacts, storage planning, environmental monitoring, and long-range conservation planning. Previously, Ms. Raphael was the Senior Artifact Conservator at the Museum of New Mexico from 1984 to 1992 and has over 20 years' experience in museum conservation. Ms. Raphael was recommended by several individuals within the Arizona museum community.

Copies of the consultants' reports are available for review at the Office of the Auditor General.

Prescott Historical Society

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and sunset review of the Prescott Historical Society pursuant to a May 5, 1993, resolution of the Joint Legislative Audit Committee. This audit is conducted under the authority vested in the Auditor General by A.R.S. §§41-2951 through 41-2957.

History and Purpose

The Prescott Historical Society (PHS) was established as a state agency in 1964 to operate the Sharlot Hall Museum which was founded in 1927. PHS is governed by a 15-member board that is elected from the membership of the Society (approximately 800 individuals are members). The responsibilities of PHS include preserving, maintaining, and perpetuating the gubernatorial mansion, Sharlot Hall Museum, and the historical collections. The Museum also collects historical items, provides educational programs, and maintains a research library. It is mandated to keep the collections and historical materials accessible to the public free of charge. In fiscal year 1994-95, the Museum served over 69,000 visitors.

Although the primary function of PHS is similar to that of the Arizona Historical Society (AHS), to collect and preserve Arizona history, PHS is a separate agency. The idea of combining the two agencies has been addressed in recent years. For example, in 1988, the Arizona Cost Efficiency Commission consultant's report recommended that all historical activities of several agencies, including AHS and PHS, be merged to gain operating efficiencies and save almost \$120,000 per year.⁽¹⁾ However, the Joint Legislative Budget Committee (JLBC) staff also studied the issue as part of the fiscal year 1991-92 budget process and concluded that "little, if any, savings would result from such a move." According to JLBC staff, they found no staff positions that could be eliminated if PHS and AHS were combined. Further, they estimated staff salaries at PHS would have to be increased to equalize them with AHS staff.

Budget and Personnel

Prescott Historical Society receives both state appropriations and private funding. State appropriations account for almost 70 percent of the Society's funding and are used for staff salaries, utilities, and operating expenses. In fiscal year 1994-95, PHS was

⁽¹⁾ The Commission, appointed by a former governor, focused on evaluating the operations and administration of all state agencies to improve efficiency and effectiveness and identify opportunities to eliminate waste or reduce costs.

appropriated approximately \$536,000. Private funding is provided by donations, membership sales, gift shop sales, and other sources and is directed toward Museum exhibits and programs. In fiscal year 1994-95, PHS raised an estimated \$240,000 from private sources accounting for almost one-third of total expenditures.

PHS is authorized 16 FTE staff who work in the collections, archives, education, and support departments. Its staff include a curator, an archivist, a designer, and clerical and maintenance staff. In addition, PHS utilizes the service of volunteers who, in 1994-95, contributed over 25,000 additional hours of service at the Museum in various capacities, such as working in the gift shop, guiding tours and answering visitor questions, developing photos, working at special events, and assisting with exhibit, archive, and collection work.

Audit Scope

During the audit, we reviewed the Museum facilities and functions and found no significant problems. In fact, a 1991 review conducted by the American Association of Museums (AAM), an accrediting body, found the Society's collection storage areas to be in "immaculate condition" and that there were clear, well-written procedures for the care of the collections. Also, the committee found the exhibits areas were "well thought out" and well maintained. As a result of the review, the Museum received full accreditation in 1992.

PHS has further managed to effect improvements in its operations since the AAM study. For example, PHS has modernized its security system, climate control system, and storage methods to even better protect the collection. In addition, PHS is working to enhance its exhibits by constructing new exhibits and by adding interactive components to add more educational value.

In reviewing the Board's activities, we did note a few areas needing improvement. However, the deficiencies noted were limited and did not appear to significantly impact the ability of the Agency to fulfill its mission. Therefore, instead of developing audit findings, areas for improvement are addressed in the statutorily mandated Sunset Factors (see pages 29 through 32).

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the President of the Board of Trustees, Board members, and the staff of the Prescott Historical Society for their cooperation and assistance during the audit.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Prescott Historical Society should be continued or terminated.

1. Objective and purpose in establishing the Agency.

The Prescott Historical Society (PHS) was established by the Legislature in 1964 to "preserve, maintain and perpetuate the gubernatorial mansion, the Sharlot Hall Museum, and the historical collections contained therein." The statute also directs PHS to procure, protect, preserve, and display museum items pertaining to the history of Arizona and the West. While PHS collects and holds in trust historical items representing all of Arizona's history, its particular emphasis is on the Central Mountain Region of Arizona.

2. The effectiveness with which the Agency has met its objectives and purposes and the efficiency with which the Agency has operated.

PHS has generally been effective at meeting its objectives of preserving its historical collections and providing a wide range of museum services for the people of Arizona. In 1992, the Museum received full accreditation from the American Association of Museums (AAM), a nationally recognized museum accreditation body. As noted earlier, the accreditation committee found the collections and exhibits areas to be "well thought out," and immaculately maintained.

PHS has operated efficiently by maintaining its operations and serving a growing population though it has not increased its staffing level in 15 years. It has been able to do so, in part, by increasing private donations, utilizing volunteers, and obtaining private grants for conservation and other projects.

However, the Board could improve its effectiveness in overseeing the Agency in three ways.

First, to increase its effectiveness in guiding the agency, the Board should ensure a long-range plan is developed for PHS. Although PHS developed a long-range plan for facility additions and improvements in 1991, there has been no strategic plan for the Agency in recent years. In fact, during its accreditation process, the AAM reviewers noted the need for developing a long-range plan "to ensure a thriving Sharlot Hall Museum entering the 21st century." Further, based on our review of 1993 and 1994 Board minutes, it does not appear that the Board has been

engaged in any long-range planning nor made any major policy decisions during those two years. According to literature on Board operations, a plan is needed to define the expected long-term results for the Agency and to provide a tool for the Board to measure performance. Further, development of a plan will give direction to the Agency's activities and provide a framework for Board decision making. To fulfill its role, the literature suggests that the board must be involved in planning and insist that it is done; however, Agency staff, as the experts, should be responsible for creating the plan.

Second, to bring more community leaders and more fund-raising and museum expertise to the Board, the Board should improve board member recruitment. According to literature, the current recruitment method, where prospective board members are recommended by current members, can result in a homogenous board. When recruiting, the Board should examine the profile of its membership and seek new members with needed skills or expertise. Achieving a greater diversity on the Board will provide more broad-based support and new ideas for the Agency.

Finally, the Board should assess its own performance periodically. According to literature, a governing board should ensure it is working effectively by evaluating its performance on items such as: long-term planning, organization, bylaws, membership composition, preparation for meetings, and resource development.

3. The extent to which the Agency has operated within the public interest.

PHS operates in the public interest by providing educational, research, and recreational opportunities to the public free of charge as well as by aiding in preserving the history of the State. PHS provides volunteer tour guides for school groups and is currently involved in a fourth-grade curriculum project. In addition, the archives and collections are used by graduate students, scholars, filmmakers, and other historians. In fiscal year 1994-95, over 69,000 individuals participated in museum activities which include daily visitation, guided tours, lectures, and special events.

However, we identified one issue related to operating within the public interest that should be addressed – state representation on the Board. PHS has historically received a large portion of its budget (approximately 70 percent) from state appropriations. However, the State has no representation on the Agency's governing board. The current PHS Board is made up entirely of Board members elected by PHS general membership, as set forth in statute. We did not determine the appropriate mix of state and private board members; however, we believe that state representation is needed on the PHS Board.

- 4. The extent to which rules and regulations promulgated by the Agency are consistent with the legislative mandate.**

Although PHS has not promulgated rules and regulations as mandated by statute, it has established policies that sufficiently fulfill the mandates.

- 5. The extent to which the Agency has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public.**

While meetings have been open to the public, PHS failed to comply with Open Meeting Law requirements regarding proper notification of Board meetings. Specifically, PHS had not provided a statement to the Secretary of State on where the meeting notices would be posted, as required by A.R.S. §38-431.02. PHS staff were not aware of this requirement and after this was brought to their attention, they filed the required statement on July 25, 1995.

- 6. The extent to which the Agency has been able to investigate and resolve complaints that are within its jurisdiction.**

This factor does not apply as PHS has no statutory authority to investigate and resolve complaints.

- 7. The extent to which the Attorney General or any other applicable agency of state government has authority to prosecute actions under the enabling legislation.**

The PHS enabling legislation does not establish such authority.

- 8. The extent to which the Agency has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.**

Our review did not identify any deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.

- 9. The extent to which changes are necessary in the Agency's laws to adequately comply with the factors listed in the subsection.**

Our review did not identify any need for changes to the PHS statutes regarding compliance with the factors. However, Sunset Factor three discusses the need for state representation on the Board. Since statute currently sets out election by the

society membership as the Board member selection method, a statutory change would be required to allow state-appointed Board members.

10. The extent to which termination of the Agency would significantly harm the public health, safety, or welfare.

Termination of PHS would not significantly harm the public's safety or health. However, without PHS, Prescott and other Arizona communities would lose a central resource, educational, and recreational programming center that maintains the history of the Central Mountain Region, Arizona, and the West.

If PHS were terminated, the Museum could be turned over to the private historical society that helps support PHS. However, as noted earlier, the private funding covers only 30 percent of PHS' operating expenses. Therefore, there would be insufficient funds available to maintain staffing and other operating needs of the Museum.

Alternatively, Arizona Historical Society (AHS) could possibly absorb PHS responsibilities, if it were terminated. However, as noted earlier, the Joint Legislative Budget Committee (JLBC) staff determined there would be no cost savings gained from such a move. In fact, JLBC staff estimate that merging PHS with AHS could prove more costly, as PHS staff salaries would need to be increased to match those of AHS. Further, given our concerns regarding AHS' inability to properly support its own branch museums, we question its ability to adequately support another museum.

11. The extent to which the level of regulation exercised by the Agency is appropriate and whether less stringent levels of regulation would be appropriate.

This factor does not apply as the PHS has no regulatory authority.

12. The extent to which the Agency has used private contractors in the performance of its duties and how the effective use of private contractors could be accomplished.

PHS does not use private contractors on a regular basis. On occasion PHS contracts with museum conservation specialists to perform highly specialized conservation work, such as the repair of damaged clothing artifacts and other historical items.

Agency Response

October 18, 1995



Sharlot Hall Museum

415 West Gurley Street
Prescott, Arizona 86301

State of Arizona
Office of the Auditor General
Douglas K. Norton, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Mr. Norton:

The Prescott Historical Society is in receipt of the revised preliminary report draft of our performance audit, and your cover letter of October 10, 1995.

I appreciate the attentiveness and courtesies of your staff. My meeting at your Phoenix office was very productive, and Maureen Tonn has been especially helpful. This museum's Board of Directors is pleased that our institution receives such favorable comments.

This final response to the report, as requested in your cover letter, will address each Sunset Factor in turn:

1. *Objective and purpose in establishing the Agency.*

It is stated that PHS's "particular emphasis is on the Central Mountain Region of Arizona." That is true, but it is a challenge to clearly define that region geologically, biologically, and as per prehistoric and historic human settlement patterns. Our ongoing work is to develop parameters that clarify the extent of the Central Mountain Region. This is seen as a positive challenge, and an opportunity for collaboration with other institutions, as well as an opportunity for public education.

2. *The effectiveness with which the Agency has met its objectives and purposes and the efficiency with which the Agency has operated.*

The report states "the Board could improve its effectiveness in three ways:"

a. "ensure a long range plan is developed." New management at the executive and Board levels at Sharlot Hall are in full agreement with this observation, and have embarked on the process of developing an inclusive long-range plan. The recently appointed museum director, Richard Sims, identified the need for planning early on, and brings that experience from other museums. Board President Earl Swansen, in a memo to the Executive Committee dated September 8, 1995, notes that "the sure way



to end up in the dust bin of history is to go about our day-to-day business with no plans for future development. This is especially true of not-for-profit organizations with volunteer boards of trustees." Submittal of the recent Strategic Plan requested by OSPB/OEG serves as a useful prelude to full-scale long-term planning.

b. "improve board member recruitment." On September 6, a highly productive meeting among the Board's Nominating Committee and the Executive Committee, including the new museum director, clarified that a readiness exists to break old patterns of recruitment and to reach out with more focused efforts at recruitment of diverse community leaders in business, education, and philanthropy.

c. "the board should assess its own performance periodically." We agree, and are working in appropriate committees to schedule retreats and workshops that promote reflection and assessment. The Board and museum director attended the Board Member Training hosted by OEG on September 27 in Phoenix.

3. *The extent to which the Agency has operated within the public interest.*

The report states that "state representation is needed on the PHS board." That suggestion seems tempered somewhat by language in the Summary section, where it is stated that "although we did note that the Board needs improvement in a few areas, these deficiencies did not appear to significantly impact the ability of the Agency to fulfill its mission."

The PHS Board is interested in continuing this discussion of state- or Governor-appointed board member(s). Many community leaders on the Board regard their presence now as "state representation" in the full citizenship sense of the term, in the sense of responsible taxpayers accepting fiduciary responsibility for assignment of general tax revenues. Other Board members are willing to explore the process by which a slate of one-to-three locally nominated people would be appointed at the state or Governor level to fill one Board vacancy. It is understood that most state Boards do have some measure of state appointment, although many of those boards have regulatory authority, which PHS does not.

The Auditor General's own survey of other state historical agencies provided some informative data. For instance, of the 44 states surveyed, 27 historical agencies have at least 50% state funding, and 16 of that 27 have some measure of state or Governor appointment. That survey also revealed no clear relationship between level of state appropriations and level of state appointments.

The PHS Board at its most recent board meeting (October 17) put forth a willingness to cautiously explore the suggestion of state representation, and authorized the Museum Director to proceed with general discussions with the appropriate parties.

4. *The extent to which rules and regulations promulgated by the Agency are consistent with the legislative mandate.*

As the report acknowledges, there are board-established policies that are synonymous with "rules and regulations."

5. *The extent to which the Agency has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public.*

Indeed, we were not aware of the required communication with the Secretary of State. That has been corrected.

6. *The extent to which the Agency has been able to investigate and resolve complaints that are within its jurisdiction.*

Not applicable, as stated.

7. *The extent to which the Attorney General or any other applicable agency of state government has authority to prosecute actions under the enabling legislation.*

As stated. No comment.

8. *The extent to which the Agency has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.*

As stated. No comment.

9. *The extent to which changes are necessary in the Agency's laws to adequately comply with the factors listed in the subsection.*

The draft report states that "a statutory change would be required to allow state-appointed Board members." PHS desires further discussion with the appropriate state agencies or legislative committees to better understand the necessity of effecting a statutory change.

10. *The extent to which termination of the Agency would significantly harm the public health, safety, or welfare.*

We appreciate the recognition as "a central resource, educational, and recreational programming center." PHS and the Sharlot Hall Museum strive diligently to fulfill that mission. There exists a firm resolve on the part of the Board and the Museum Director that PHS retain its independence from AHS, for operational and logistical reasons beyond the cost-effective business approach put forth by JLBC.

11. *The extent to which termination of the Agency would significantly harm the public health, safety, or welfare.*

As stated. No comment.

12. *The extent to which the Agency has used private contractors in the performance of its duties and how the effective use of private contractors could be accomplished.*

As stated. No comment.

We anticipate a successful conclusion to the performance audit at the November 21st meeting of the Committee of Reference. Thank you for the constructive insights you have provided concerning the operations of Prescott Historical Society/Sharlot Hall Museum.

Sincerely,

A handwritten signature in black ink that reads "Richard S. Sims". The signature is written in a cursive, slightly slanted style.

Richard S. Sims
Director