



Compliance, Audit, Risk Management and Legal Affairs (CARL) Committee
October 10, 2023
10:15 a.m.

Discussion Item

CARL-2 Internal Audit Report

Background Information

Katherine Skinner, Director of Internal Audit, will provide a summary of recent audits performed.

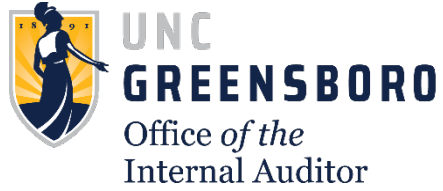
Attachment

2.1 Weatherspoon Art Museum Inventory Internal Audit Report (see below)

Compliance, Audit, Risk Management, and Legal Affairs Committee
October 10, 2023
10:15 AM

CARL-2 Internal Audit Report - Summary of Internal Audits Performed

Report Date:	September 7, 2023
Report To:	Dr. Franklin D. Gilliam, Jr., Chancellor
Subject:	Weatherspoon Art Museum Inventory
Type of Audit:	Internal Controls Audit
Objective:	Determine whether the Weatherspoon Art Museum's (Museum) Inventory Management System is sufficiently reliable to support the accuracy of reported art collection inventory that is owned by the Weatherspoon Art Museum Council (WAM Council). This audit has been conducted pursuant to the University of North Carolina System Office Policy 600.2.5.2[R]2 which requires the WAM Council to have an annual audit.
Scope:	The scope of the internal audit is inventory accessions July 1, 2022, through June 30, 2023, and the art collection items in the inventory record through June 30, 2023.
Findings:	The Museum's inventory management system is sufficiently reliable to support the accuracy of reported art collection inventory.
Recommendations:	None at this time.
Next Steps	Corrective action is not required. The annual audit will be conducted again next year.
Attachment:	CARL 2.1 Weatherspoon Art Museum Inventory Internal Audit Report

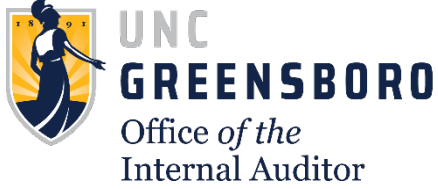


INTERNAL AUDIT REPORT

WEATHERSPOON ART MUSEUM INVENTORY

FOR THE YEAR ENDED JUNE 30, 2023

SEPTEMBER 2023



MEMORANDUM

To: Dr. Franklin D. Gilliam, Jr., Chancellor
From: Katherine Skinner, Director of Internal Audit
Date: September 7, 2023
RE: Weatherspoon Art Museum Inventory Internal Audit Report

The Weatherspoon Art Museum Inventory Internal Audit was completed by the Office of the Internal Auditor in accordance with the Internal Audit Work Plan for fiscal year 2024. Provided within this communication is an Executive Summary and the Final Report of the Internal Audit activity.

Juliette Bianco, Weatherspoon Art Museum Director, reviewed a draft copy of this report and provided written comments, starting on page 10.

We appreciate the courtesy and cooperation received from management and the employees of Weatherspoon Art Museum and Foundation Finance during our audit.

Table of Contents

EXECUTIVE SUMMARY	4
BACKGROUND.....	5
OBJECTIVE, SCOPE, AND METHODOLOGY	6
FINDINGS AND RECOMMENDATIONS	8
RESPONSE FROM WEATHERSPOON ART MUSEUM	10

Executive Summary

PURPOSE

The objective of the internal audit is to determine whether the Weatherspoon Art Museum's (Museum) Inventory Management System is sufficiently reliable to support the accuracy of reported art collection inventory that is owned by the Weatherspoon Art Museum Council (WAM Council).

The scope of the internal audit is inventory accessions July 1, 2022, through June 30, 2023, and the art collection items in the inventory record through June 30, 2023.¹

This audit has been conducted pursuant to the University of North Carolina System Office Policy 600.2.5.2[R]² which requires the WAM Council to have an annual audit.

BACKGROUND

The WAM Council was established as a private non-profit organization, formerly known as the Weatherspoon Arts Foundation, to hold title to the permanent collection of the Museum. The collection is maintained for teaching, research, and public service purposes exclusively for the use and benefit of the University of North Carolina at Greensboro (University) and its broader community.

By an operating agreement, the WAM Council delegates full management responsibility for the collection to the Museum, which is owned and operated by the University. The art collection inventory included 6,630 items as of June 30, 2023, with a collective book value of approximately \$27.8 million.

KEY FINDINGS

The Weatherspoon Art Museum's inventory management system is sufficiently reliable to support the accuracy of reported art collection inventory.

KEY RECOMMENDATIONS

The audit team has no recommendations for improvement.

¹ Inventory on record as of June 30, 2023, includes all items with a recorded "legal date" of June 30, 2023 or earlier.

² The UNC Policy Manual, 600.2.5.2[R], Regulation on Required Elements of University-Associated Entity Relationship, Section V states, "A Minor Associated Entity must have an annual audit conducted either by the Approving Institution's internal auditor, another University internal auditor, or an independent CPA firm."

Background

The Weatherspoon Art Museum (Museum), which is owned and operated by the University of North Carolina at Greensboro (University), maintains and manages the art collection that is owned by the Weatherspoon Art Museum Council³ (WAM Council).

WEATHERSPOON ART MUSEUM

The Museum serves the University, community, state, and national audiences by collecting, preserving, presenting, and interpreting the work of nationally recognized American artists from the turn of the twentieth century onward. To encourage aesthetic and critical awareness within its audiences, the Museum engages in research, scholarship, and community outreach, and develops publications, exhibitions, and education programs.

During FY2023, the Museum managed 6,630 items with a collective book value of approximately \$27.8 million including 368 accessions valued at approximately \$3.4 million.

WEATHERSPOON ART MUSEUM COUNCIL BACKGROUND AND PURPOSE

The Weatherspoon Arts Foundation (Foundation) was established in 1990 as a private, non-profit organization to hold title to the permanent collection of the Museum. By an operating agreement, the Foundation delegates full management responsibility for the collection to the University.

The Weatherspoon Art Museum Advisory (WAMA) Board was part of the UNCG Excellence Foundation, a certified non-profit organization. The WAMA Board provided guidance, funding, and volunteer time to the Museum. In the Fall of 2022, the WAMA Board and the Weatherspoon Arts Foundation merged into the **Weatherspoon Art Museum Council (WAM Council)**. The WAM Council retains private, non-profit status and title to the permanent collection of the Museum and continues to delegate full management responsibility for the collection to the University.

The collection is maintained for teaching, research, and public service purposes exclusively for the use and benefit of the University and its broader community. The WAM Council supports the Museum's mission and advances the Museum's capacity to:

- Build, manage, and preserve an increasingly diverse and significant art collection.
- Promote access to the Museum and its resources through a demonstrated commitment to equity, diversity, and inclusion.
- Amplify the visibility, reputation, and accessibility of the Museum.
- Secure resources to support all areas of the museum's operations and collections.

³ The WAM Council was formerly known as the Weatherspoon Arts Foundation; the name was formally changed during fiscal year 2022-2023.

Objective, Scope, and Methodology

OBJECTIVE:

The audit objective was to determine whether the Weatherspoon Art Museum's (Museum) Inventory Management System is sufficiently reliable to support the accuracy of reported art collection inventory that is owned by the Weatherspoon Art Museum Council (WAM Council).

SCOPE:

The scope of the internal audit is inventory accessions July 1, 2022, through June 30, 2023, and the art collection items in the inventory record through June 30, 2023.

METHODOLOGY:

To determine whether the reported inventory is reasonably accurate, auditors performed the following procedures:

- Interviewed Museum staff, reviewed policies and procedures, and physically observed Museum grounds and security procedures.
- Compared prior year inventory reports to current year inventory reports and reconciled differences to the report of accessions (there were no deaccessions during the period).
- Compared inventory reports from the University's financial records to the Museum's inventory records.
- Physically observed a sample, using stratification to test significant items, of the art collection inventory as follows:
 - 10% of items acquired during the fiscal year 2023.
 - 100% of items with a book value of at least \$75,000.
 - 100% of items with a market value of at least \$100,000.

A judgmental sample, using stratification and selecting high risk items, was determined by auditors to be the most efficient and effective method to achieve the audit objective. Auditors considered the results of prior year testing and the potential risks to the art collection. Auditors referred to authoritative sampling guidance published in 2014 by the American Institute of Certified Public Accountants (AICPA) in Audit Sampling, Audit Guide.

- Reviewed supporting documentation for fiscal year 2023 accessions and compared relevant details to inventory records (e.g., item number, artist, title, method (gift/purchase), value, legal date, description, and type).

Note that auditors are not art experts or qualified appraisers and thus cannot opine on item values or whether items are legitimate or forgeries. Accordingly, tests were limited to verifying that items

appear to exist as indicated in the inventory records and in accordance with supporting documentation for new items.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

Findings and Recommendations

INVENTORY MANAGEMENT SYSTEM IS SUFFICIENTLY RELIABLE

The Weatherspoon Art Museum’s (Museum) Inventory Management System is sufficiently reliable to support the accuracy of reported art collection inventory that is owned by the Weatherspoon Art Museum Council (WAM Council).

The Museum was responsible for managing 6,630 art collection items with a book value of approximately \$27.8 million during fiscal year 2023⁴ (FY2023). During FY2023, the Museum added 368 items to the art collection through 208 gifts and 160 purchases, collectively valued at approximately \$3.4 million. See Table 1, below.

Table 1. Art Collection Value, FY2023

	Price	Quantity
Book value of art collection as of June 30, 2022	\$ 24,393,851	6,262
Acquisitions of art	155,515	160
Gifts of art	3,292,120	208
Book value of art collection as of June 30, 2023	\$ 27,841,486	6,630

Auditors physically observed a sample of significant art collection inventory items and auditors did not identify any discrepancies between the recorded inventory items and the inventory stored on the premises as described.

Auditors did not identify any reportable discrepancies in the reported book value of inventory. Specifically, auditors confirmed that:

- All inventory items selected for observation exist as described in the inventory records.
- Inventory records include items acquired during the fiscal year.
- Book values for new acquisitions are accurately and consistently recorded.
- Legal dates for new acquisitions are accurately and consistently recorded.

In addition, corrective action was designed and implemented to address a finding in the prior year audit. Specifically, policies and procedures were designed and implemented to ensure consistency with legal dates entered for new accessions. Auditors reviewed documentation for new items to verify that policies and procedures are consistently followed and that new items are correctly reflected in the inventory records. Auditors did not identify any discrepancies or inconsistencies with legal dates for new items.

OPERATING AGREEMENT REQUIRES ACCURATE RECORDS

Museum management designed and implemented policies and procedures to ensure inventory records are accurate and consistent because an operating agreement requires it. Specifically, an operating agreement between the University and the WAM Council states that the Museum staff are responsible for managing all art collection inventory and related records.

⁴ July 1, 2022, through June 30, 2023.

RECOMMENDATIONS

Finding no reportable errors in the inventory management process or records, the audit team has no recommendations for improvement.

Response From Weatherspoon Art Museum

Dear Katherine and Ron,

Thank you for your thorough attention and diligence in conducting FY 2022-2023's audit of the Weatherspoon Art Museum's collection. I am pleased to hear that the Weatherspoon Art Museum's inventory management system is sufficiently reliable to support the accuracy of reported art collection inventory and that no improvements are needed. I agree with the findings in your report. We appreciate the care and courtesy you extended to museum staff during this process and look forward to continuing our professional relationship with you.

Sincerely,

Juliette Bianco
Anne and Ben Cone Memorial Endowed Director
Weatherspoon Art Museum