



PERCENT FOR ART PROGRAM:

Financial allocation process is informal, inconsistent, and may not fulfill requirements for public art

A REPORT FROM THE CITY AUDITOR
August 2005



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

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August 19, 2005

TO: Mayor Tom Potter
Commissioner Sam Adams
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten
Timothy Grewe, Chief Administrative Officer, Office of Management and Finance
Bruce Warner, Executive Director, Portland Development Commission
Eloise Damrosch, Executive Director, Regional Arts and Culture Council

SUBJECT: Audit of "Percent for Art" program, Report #317

Attached is Report #317 containing the results of our audit of the City's Percent for Art program. Written responses from the Liaison Commissioner, the Executive Director of the Portland Development Commission, and the Executive Director of the Regional Arts and Culture Council, are attached to this report.

We ask that the Liaison Commissioner's office prepare a status report in one year detailing steps taken to address the recommendations contained in our report.

We appreciate the cooperation and assistance we received from personnel in the Office of Management and Finance, the Bureau of General Services, Office of Transportation, Portland Parks and Recreation, the Portland Development Commission, and the Regional Arts and Culture Council.


GARY BLACKMER
City Auditor

Audit Team: Drummond Kahn
Katherine Gray Still

Attachment

PERCENT FOR ART PROGRAM:

Financial allocation process is informal, inconsistent, and may not fulfill requirements for public art

Summary It is the intent of the City of Portland that a percentage of the cost of certain City improvements be dedicated to public art. This audit was conducted to determine whether the required allocations for the “Percent for Art” program are appropriately identified and dedicated from City capital construction projects. City compliance with this program is in doubt for several reasons.

We found that the City’s published Capital Improvement Plan does not contain sufficient financial information for identifying eligible Percent for Art projects. We also found that even with access to such financial information, calculating the correct contribution to public art requires a substantial number of assumptions to reliably and consistently identify eligible projects.

Instead of a straightforward calculation, Project Managers are faced with a “murky” and “informal” process for determining a project’s Percent for Art eligibility. These problems challenge not just our ability to assess the City’s contribution to public art, but also the City’s ability to ensure correct implementation of the Program.

We make several recommendations for the City and for the Regional Arts and Culture Council to improve the process and oversight of the program in order to ensure that the correct funds are dedicated to art in accordance with City Code.

Objectives, scope, and methodology

This audit was intended to determine whether the required allocations for the “Percent for Art” program are appropriately allocated and dedicated by City capital construction projects. The audit was motivated in part by City Council concerns that the Regional Arts and Culture Council (RACC) may not be receiving the amount of funds that it should under this program. This audit is also in our annual Audit Schedule for FY 2005-06.

In order to assess compliance, our first objective was to develop a rough estimate of potential dollars from eligible Percent for Art projects that would have gone to RACC over several years and compare this amount with funds RACC actually received. However, as described in more detail in this report, a reliable calculation of potential funding for art was not possible for several reasons.

We therefore focused our objectives on assessing how well the City implements Percent for Art in light of the problems we encountered. Specifically, we looked at how the City identifies eligible projects and how it determines the appropriate dollar amount to allocate to them.

We focused our work on “Participating Bureaus,” those required to allocate funding to the Percent for Art program, which include: Portland Parks and Recreation (Parks), Portland Office of Transportation (PDOT), Bureau of General Services (BGS), and the Portland Development Commission (PDC). We also examined the role of the Office of Management and Finance. We did not look at the Percent for Art contributions of the Water Bureau or the Bureau of Environmental Services as their participation in the Program is voluntary.

We studied RACC’s role in identifying eligible projects and Percent for Art contributions, as well as their interactions with Participating Bureaus. We did not review RACC’s methods of record-keeping, art selection, and other internal processes except to the extent needed to achieve a basic understanding of them.

To accomplish our objectives, we interviewed individuals at RACC, at each Participating Bureau, and at the Office of Management and Finance (OMF). We reviewed the Ordinances, Resolutions, City Code, RACC Guidelines, and City Attorney opinions relevant to Percent for Art. We reviewed the City's Capital Improvement Program (CIP) for FY 2000-01 through FY 2004-05, and capital budget information for each Participating Bureau. We also reviewed RACC's revenue tracking spreadsheets for FY 2000-01 through FY 2004-05.

We conducted our work in accordance with generally accepted government auditing standards.

City Code requires contributions of 1.33% from capital improvement projects to public art

Recognizing "the great value of public art," the City passed an ordinance in 1980 in order to dedicate one percent of the construction costs for the "new construction or major alteration" of City buildings to the acquisition of public art. The Percent for Art program, as well as a similar program enacted by Multnomah County, was administered by a City bureau, the Metropolitan Arts Commission (MAC).

In an effort to bring public art to areas outside of downtown, the City broadened the program in 1989 to include a wider scope of City-funded projects. Allocations for public art would now be required from projects involving any "structure, park, public utility, street, sidewalk or parking facility." The contribution was also increased to 1.33 percent in order to cover other costs such as maintenance, administration, and education.

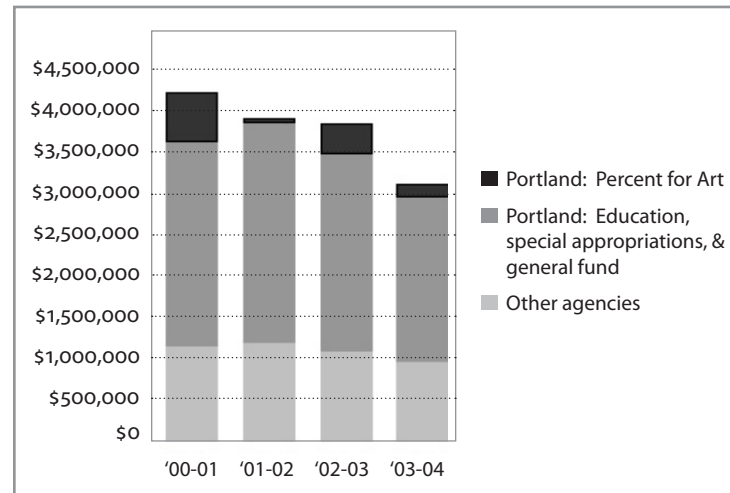
In 1995, MAC was restructured into a non-profit organization, the present-day Regional Arts and Cultural Council, or RACC. According to its most recent Annual Report, RACC's fifteen staff members directed more than \$3 million for regional arts education, grants, and public art in 2004. They administer the Public Art program for Portland, Multnomah County, and other agencies; carry out arts education projects; and build support and provide resources for a "strong arts and culture community."

The section of the City Code pertaining to Percent for Art may be found in the appendix.

Figure 1 shows funds received by RACC from the City of Portland and other agencies. Funding from the City of Portland as a whole has accounted for about 70 percent of RACC’s revenues over the four fiscal years ending FY 2003-04. City contributions for the Percent for Art program are a small portion of this. Over the same four years, RACC received a total of \$1.13 million from the City of Portland for Percent for Art. Although not all funds are spent in the same year in which they are received, RACC spent just over \$1 million on public art during the same period.

Figure 1 RACC: Funds received by fiscal year

Not adjusted for inflation



Source: Regional Arts and Culture Council

Participating Bureaus

Portland’s City Code states that the Percent for Art requirement applies to a City “Bureau or Commission that is subject to this Chapter by virtue of its sponsorship of an Improvement Project.” Thus, because of the capital projects they sponsor and/or carry out, “Participating Bureaus” includes Parks, PDOT, BGS (which administers most of the capital projects for the Police, Fire, and Emergency Communications Bureaus), and the PDC.

The Bureau of Environmental Services and the Water Bureau have not been subject to the requirement, although they were directed to work with MAC, and subsequently RACC, to develop procedures by which they would “become involved and participate.”

RACC’s responsibilities

Portland’s City Code gives RACC the responsibility of creating guidelines for, among other things, the artist selection process, the development of an annual plan for public art, facilitating the preservation of public art, and providing for annual meetings with Participating Bureaus. The Code also instructs RACC to “report annually to Participating Bureaus on the disbursement of money” for public art.

Typical Percent for Art process

According to RACC, the general process for Percent for Art projects is as follows:

- As soon as a capital project has been budgeted for and is moving forward, RACC staff and the Project Manager come to an agreement on the art budget
- RACC invoices the bureau for the agreed-upon amount and the bureau transfers the funds to RACC
- RACC establishes and administers the artist selection panel which includes at least one individual from the Participating Bureau, the project designer, citizens, and professional artists
- Finalists are forwarded to RACC’s standing Public Art Advisory Committee, which issues a recommendation to the RACC Board of Directors for final approval of awards
- RACC manages the process through installation and final acceptance of the art into the City’s public art collection

City's compliance with "Percent for Art" uncertain

Developing an estimate of the amount that City capital projects should have dedicated to Percent for Art is not as simple as multiplying the capital budgets of Participating Bureaus by 1.33 percent. We found we would need to make a substantial number of assumptions in order to identify eligible projects due to ambiguities about both funding sources and project costs. We also found a lack of accessible and reliable financial information for the total cost of capital projects. These problems challenge not just our ability to assess the City's contribution to public art, but also the City's ability to ensure correct implementation of the Program.

City's Capital Budget does not include required information

Portland's City Code states that the City "shall include in the capital improvement program of the City's capital budget a monetary contribution for Public Art equal to 1.33% of the total costs of the improvement project." However, a Percent for Art contribution is not recorded in the City's published CIP. Budget officials in OMF told us that the Percent for Art contribution has not been included in the past and that it does not appear in the CIPs submitted to them by Bureaus.

Furthermore, we found that the financial data in the City's CIP does not provide sufficient detail needed to identify eligible projects and calculate their contribution to public art. Of particular importance is the total budget for any given capital project, which is not reported. Also missing is sufficient detail regarding funding sources as well as the project cost components which are needed both for the identification of an eligible project as well as the calculation of the appropriate Percent for Art contribution. Finally, we were not able to find consistent information readily accessible at the Participating Bureaus.

Lack of financial information creates challenges

The lack of a central and reliable source of financial information has left RACC in the position of "foraging" for information on eligible projects and funding, although it is the City's responsibility to identify them. Instead, RACC officials told us they sometimes find

out about projects in the newspaper, driving by them, by “word of mouth,” and by “sleuthing.” Their most important resources, however, are the Project Managers in the Participating Bureaus. RACC’s Public Art Managers told us that they usually find out that there is a new Percent for Art project when a Project Manager contacts them about it and tells them how much money RACC will get from it.

Varied assumptions about Percent for Art requirements lead to inconsistent allocations

Even if detailed and reliable financial information for capital projects had been readily available, we found that calculating the correct contribution to art would require a substantial number of assumptions regarding funding sources as well as project costs. Our interviews with Project Managers and others at Participating Bureaus indicate that staff who make Percent for Art allocations use varying and inconsistent assumptions about the Program’s requirements. This in turn leads to inconsistencies in allocation practices.

We illustrate this problem using a hypothetical capital project budget. The \$200,000 sample project contains both exempt and non-exempt funding sources, as well as qualifying and non-qualifying costs. A project manager would have to determine the project’s eligibility for a Percent for Art contribution based on several factors, which include:

- Project costs: City Code states that the total allowable costs of the project must equal \$100,000 or more. The Code provides a list of costs that are not to be included in the allocation calculation, such as design and engineering, administration, and land acquisition (we infer that “construction costs” are allowed by their absence from the list).
- Funding sources: City Code states that a number of funding sources are exempt from program requirements, such as federal and state grants (we infer that general obligation bonds, among others, are not exempt).

Figure 2 Hypothetical Capital Project

Funding sources:		
	\$100,000	Bond (non-exempt)
	<u>\$100,000</u>	State Grant (assume exempt)
	\$200,000	Total Funding
Project costs:		
	\$50,000	Design (non-allowable)
	<u>\$150,000</u>	Construction (allowable)
	\$200,000	Total Costs

Source: Audit Services Division

Although construction costs of \$150,000 exceed the Percent for Art project cost threshold of \$100,000, the project’s eligibility for public art is not clear. For example, since only \$100,000 of funding is from a non-exempt source, should the 1.33% be calculated from only \$100,000? What happens if the State Grant stipulates that it can only be applied to construction costs? That would leave only \$50,000 in project costs from which the art allocation could be made, which is now under the threshold.

“There are no good rules available”

Is the hypothetical project eligible? We showed it to Project Managers and others whom we interviewed and asked what they would do. Some indicated that they would allocate the most money they could and see what happened. Some used the words “messy” and “murky” to describe the process of determining the correct amount to allocate to public art. One Project Manager observed that “there are no good rules available.”

With few exceptions, no guidelines or agreed-upon procedures are available to help Project Managers apply Percent for Art, either city-wide or at the individual Bureaus. One Project Manager complained that he “knows what they can’t do, but not what they can.” Only one Participating Bureau, the PDC, has developed a set of guidelines to assist its Project Managers with the overall process, although not all Project Managers are aware of the guidelines.

In order to resolve questions about applying Percent for Art, some managers told us that they turn to RACC while others ask their supervisors. One Bureau relies on an interpretation of the “intent” of the original Ordinance (which has now been superseded several times). Another Bureau is using an opinion written by a Deputy City Attorney in 1988.

Lack of guidelines leads to inconsistent allocation practices

We found substantial variation in how Project Managers interpret the eligibility of Percent for Art projects and identify allowable costs:

- Allocation for “new” construction versus “improvements”:
Some managers assume that Percent for Art applies only to “new public construction” or to “capital improvements that increase the value of the building.” The Code, however, states that rehabilitation, remodeling, or improvement projects also qualify.
- Project cost threshold: Several managers said that they were not aware of the \$100,000 cost threshold and assumed any public capital project triggered Percent for Art.
- “Just assume it applies”: Many managers operate on the assumption that Percent for Art is triggered regardless of costs or funding sources and “work from there.” One told us he would “squint his eyes, not worry about it, and see if it worked.”
- Allowable costs: One manager told us that he understood that the percent comes out of total project costs, rather than construction costs. One manager told us that he assumes that “moveable items” like furniture and computers are not eligible costs. The Code cites only those costs that are not allowed and these are not mentioned.

Identification and allocation of eligible projects is “very informal”

Percent for Art funding relies almost entirely on the awareness and support of individual Project Managers. And while the level of enthusiasm for the Percent for Art program among many Project Managers is high, this does not assure that the Percent for Art requirement will be consistently met.

RACC officials told us that the process to identify eligible projects and collect Percent for Art funding from Participating Bureaus is “very informal.” This was verified during our audit. We found no centralized, citywide structure or process to oversee compliance. Nor did we find such a structure in the Participating Bureaus, with the exception of PDC, which, in addition to the guidelines mentioned previously, has also designated a liaison to RACC with whom its Project Managers are expected to work.

RACC believes that the relationships they have established with Project Managers are largely responsible for the Percent for Art allocations they receive. That is, there are Project Managers with whom RACC has worked well over the years and RACC is fairly confident about receiving the correct allocations from their projects. They are less confident about projects managed by individuals they do not know well. RACC managers told us they rarely have any opportunity to verify the contribution to public art using project budgets, which would be their preference.

Communication between RACC and Participating Bureaus needs improvement

RACC’s guidelines state that it will annually discuss upcoming improvement projects with each City agency. Portland City Code cites this requirement, as well as an additional responsibility to “report annually to Participating Bureaus on the disbursement of money” for public art. These meetings and reporting requirements are not being carried out by RACC, although officials there tell us they are willing to do so.

No central mechanism for oversight

Adding to the sense of informality is the lack of involvement in the program at the citywide level, specifically from OMF. OMF Financial Analysts are responsible for an annual review and analysis of Bureau CIP submissions. Several OMF staff told us that Percent for Art has “never been on their radar screen” as part of their review. We were also told by individuals in Participating Bureaus that, in most cases, their financial staff do not get involved with Percent for Art.

RACC and PDC have specific issues needing resolution

During the course of this audit, we became aware of several specific issues between RACC and PDC regarding the eligibility of certain projects, the timing of payments, discrepancies regarding payments due, and the desire on PDC’s part for a separate Intergovernmental Agreement between the two agencies, among other things. The resolution of some of these issues will be assisted by bringing more structure and clarification to the Percent for Art program. It may also require the involvement of the City Attorney or others. We address this issue in the Recommendations section.

Recommendations

Solving the problems described above and ensuring that Percent for Art succeeds in the future requires action from each of the parties involved:

1. Liaison Commissioner: Work with representatives from OMF and each Participating Bureau to develop guidelines that will provide clarity and ensure consistency citywide for the identification of eligible projects and their financial contribution to Percent for Art.
2. OMF: Develop method for including the Percent for Art contribution in the City's CIP, as required in the City Code and Ordinance. Institute process to ensure that the contribution is accurately reflected in the CIPs of Participating Bureaus.
3. RACC: Conduct meetings and prepare annual reports for Participating Bureaus as required in the Ordinance and City Code. Improve outreach and communication with Participating Bureaus.
4. PDC and RACC: Seek clarification from the City Attorney regarding specific points of disagreement about issues such as project eligibility, payments due, and Intergovernmental Agreements. Also, continue working with an independent third party, such as individuals in the Mayor's or Commissioners' offices to resolve issues.

Appendix **Portland City Code,
Chapter 5.74 Acquisition of
Art**

Chapter 5.74

ACQUISITION OF ART

(Replaced by Ordinance No. 161537,
amended by 168591, effective Mar. 8, 1995.)

Sections:

5.74.010	Purpose.
5.74.020	Definitions.
5.74.030	Dedication.
5.74.040	Public Art Trust Fund.
5.74.050	Disbursements.
5.74.060	Sitting.
5.74.070	Guidelines.
5.74.080	Ownership.
5.74.090	Decisions.
5.74.100	Implementation.

5.74.010 Purpose.

It is the purpose of this Chapter and the policy of the City of Portland to dedicate 1.33% of the Total Costs of all Improvement Projects to the selection, acquisition, siting, maintenance, administration, Deaccessioning, community education and registration of Public Art.

5.74.020 Definitions.

A. As used in this Chapter:

- 1.** Improvement Project means any project paid for wholly or in part by the Participating Bureau in which the Participating Bureau's contribution equals \$100,000 or more, involving construction, rehabilitation, remodeling or improvement of any building, structure, park, public utility, street, sidewalk or parking facility or any portion thereof within the limits of the City of Portland.
- 2.** Improvement Projects funded by the following revenue sources are exempt from the requirements of this Chapter: private development revenue, federal and state grants, Street Light Levy Fund and Local Improvement District revenue, Water Operating Fund, Water Construction Fund, Sewer Systems Operating Fund and Sewer Systems Construction Fund.

3. Improvement Projects which are developed privately and leased back to the City of Portland are not exempt from the requirements of this Chapter.
- B. Total Costs means the Participating Bureau's contribution toward the price for completion of the Improvement Project. Total Costs does not include costs for: design and engineering, administration, fees and permits, building demolition, relocation of tenants, contingency funds, land acquisition, environmental testing or indirect costs, such as interest during construction, advertising and legal fees.
 - C. Public Art means original visual creations which are sited in a manner accessible to the public and/or public employees.
 - D. Public Art Trust Fund means the fund within the Regional Arts and Cultural Council into which all monetary contributions derived from Improvement Projects pursuant to this Chapter shall be deposited. Monetary contributions for Public Art originating from any other source shall also be deposited into the Public Art Trust Fund. The Public Art Trust Fund shall be divided into separate accounts if separate accounting is requested by the Participating Bureau.
 - E. Participating Bureau means a City of Portland Bureau or Commission that is subject to this Chapter by virtue of its sponsorship of an Improvement Project.
 - F. Selection Committee means the committee responsible for reviewing proposed Public Art and making recommendations to the Regional Arts and Cultural Council on the selection of Public Art. The Selection Committee shall be composed of a representative of the Participating Bureau, the Improvement Project architect or engineer, artists, a citizen and a Regional Arts and Cultural Council board member.
 - G. Deaccessioning means relinquishing title to a work of Public Art.

5.74.030 Dedication.

Any City of Portland official or employee acting on behalf of a Participating Bureau who authorizes or appropriates expenditures for Improvement Projects of the Participating Bureau shall include in the capital improvement program of the City's capital budget a monetary contribution for Public Art equal to 1.33% of the Total Costs of the Improvement Project. If funding for a particular Improvement Project is subject to legal restrictions that preclude Public Art as an object for expenditure, the portion of the Improvement Project that is funded with the restricted funds shall be exempt from the requirements of this Chapter.

5.74.040 Public Art Trust Fund.

The Regional Arts and Cultural Council shall maintain a special fund called the Public Art Trust Fund into which monetary contributions for Public Art shall be deposited.

- A. 1.33 percent of the Total Costs of Improvement Projects shall be dedicated to Public Art and shall be deposited into the Public Art Trust Fund by the City official or employee acting on behalf of the Participating Bureau.
 - 1. One percent of the Total Costs of Improvement Projects shall be used by the Regional Arts and Cultural Council for costs associated with Public Art including, but not limited to the acquisition, siting, maintenance and Deaccessioning of Public Art.
 - 2. .33 percent of the Total Costs of Improvement Projects shall be used by the Regional Arts and Cultural Council for costs associated with Public Art, including, but not limited to costs of selection, administration, community education and registration of Public Art.
- B. Monetary contributions shall be deposited in separate accounts within the Public Art Trust Fund if separate accounting is requested by the Participating Bureau or required by law.

5.74.050 Disbursements.

Disbursements from the Public Art Trust Fund shall be made by the Regional Arts Cultural Council.

- A. Disbursements shall be made according to the terms of this Chapter and any guidelines adopted hereunder.
- B. If an Improvement Project is funded by revenue sources whose expenditure is restricted by the City Charter or other law, the Regional Arts Cultural Council, prior to making a disbursement for Public Art from such a restricted account in the Public Art Trust Fund, shall adopt written findings demonstrating that the proposed disbursement complies with all applicable restrictions.
- C. The Regional Arts Cultural Council will report annually to Participating Bureaus on the disbursement of money from the Public Art Trust Fund.

5.74.060 Siting.

Public Art selected pursuant to this Chapter may be sited in, on or about any Improvement Project or other property owned, leased, or rented by or to the City of Portland in accordance with any restrictions placed on siting by the

Participating Bureau.

5.74.070 Guidelines.

The Regional Arts Cultural Council shall, after consultation with Participating Bureaus, adopt guidelines to:

- A. Provide for annual meetings with Participating Bureaus;
- B. Develop an annual plan for Public Art that takes into account the views of the Participating Bureau;
- C. Provide a method for the appointment of representatives to Selection Committees;
- D. Determine a method or methods of selecting and contracting with artists for the design, execution and siting of Public Art;
- E. Determine the dedication and disbursement process for the Public Art Trust Fund;
- F. Clarify the responsibilities for maintenance of Public Art, including any extraordinary operations or maintenance costs associated with Public Art, prior to selection;
- G. Facilitate the preservation of art objects, ethnic and cultural arts and crafts, and artifacts;
- H. Determine a process to Deaccession art;
- I. Set forth any other matter appropriate to the administration of this Chapter.

5.74.080 Ownership.

All Public Art acquired pursuant to this Chapter shall be acquired in the name of the City of Portland, and title shall vest in the City of Portland.

5.74.090 Decisions.

Except as limited by other sections of this Chapter, the Regional Arts Cultural Council's decisions as to the selection, acquisition, siting, maintenance, disbursement of the Public Art Trust Fund, Deaccessioning, administration, community education and registration of Public Art shall be final.

5.74.100 Implementation.

The Regional Arts Cultural Council, or its designee, shall implement the provisions of this Chapter.

RESPONSES TO THE AUDIT



CITY OF

PORTLAND, OREGON

OFFICE OF PUBLIC UTILITIES

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August 10, 2005

TO: Gary Blackmer, City Auditor

FROM: Commissioner Sam Adams 

RE: Response to Final Draft of the "Percent for Art" audit report (#317)

Thank you for your office's tremendous work in performing this audit report. I would particularly like to extend my thanks to Drummond Kahn and Katherine Still for their investigation into the "murky" waters of Percent for Art. I appreciate the opportunity to respond.

When City Council first adopted this pioneering policy twenty-five years ago, I believe they did so with a clear sense of the tremendous value of public art and the intent of the ordinance. This audit report is clear in proposing that City Code and resulting guidelines echo this purpose. The report suggests four recommendations to achieve this. I wholeheartedly support each of them.

In the coming weeks, I will form a workgroup with representatives from OMF, Participating Bureaus and RACC to develop clear guidelines and a city-wide process for consistent earmarking of eligible projects, proper payment schedules and a model for collaboration.

The workgroup's recommendations, including code amendments, will coincide with the council's effort to increase the Percent for Art program from 1.33% to 2% in recognition of the growing need for better maintenance and administration of our \$5 million public art collection.

Another key recommendation of the report, seeking clarification on points of disagreement between PDC and RACC, is of great interest to my office. As the City Attorney has ruled before, PDC is subject to the provisions of the percent for art program. However, PDC has specific concerns with provisions of the code. Once council has clarified the Percent for Art's intent in code amendments and adopted guidelines, I look forward to helping mediate these issues between the two agencies, seeking payments due where necessary.

Douglas C. Blomgren
Commissioner

DATE: August 11, 2005

Bertha Ferrán
Commissioner

TO: Gary Blackmer, City Auditor

Sal Kadri
Commissioner

FROM: Bruce A. Warner, Executive Director 

Eric Parsons
Commissioner

SUBJECT: 'Percent for Art' Program Audit

Mark Rosenbaum
Commissioner

On behalf of the Portland Development Commission (PDC), thank you for the opportunity to be involved in the 'Percent for Art' Program Audit and to respond to the final draft.

Tom Potter
Mayor

Your audit efforts are quite timely. PDC has recently engaged in discussions with the Regional Arts and Culture Council (RACC) on how best to ensure PDC is complying with the requirements of the program and to determine the most effective manner in which to distribute funds to RACC.

Bruce Warner
Executive Director

Our efforts in that regard support the findings and recommendations you have highlighted in the audit. Recognizing this, PDC intends to continue the internal efforts already structured to support the audit recommendations. Specifically, PDC will:

Wyman Winston
Deputy Executive Director

- Work with the Office of Management & Finance (OMF) and others to develop guidelines (an update to our guidelines has been completed and we will share our work with OMF and others).
- Institute a process to ensure the 'Percent for Arts' contribution is accurately reflected in all appropriate documents.
- If deemed necessary, PDC may seek clarification from the City Attorney regarding specific points of disagreement with RACC. We believe current discussions with RACC, which include PDC attorneys, have negated the need for City Attorney support. However, until all issues are resolved, we are prepared to work with the City Attorney.

www.pdc.us

Again, thank you for the opportunity to engage in this audit. We look forward to implementing the improvements recommended by your office, as well as those previously started at PDC.

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REGIONAL
ARTS & CULTURE
COUNCIL

Gary Blackmer
City Auditor
1221 SW 4th Ave. Room 140
Portland, OR 97204

August 9, 2005

Dear Mr. Blackmer,

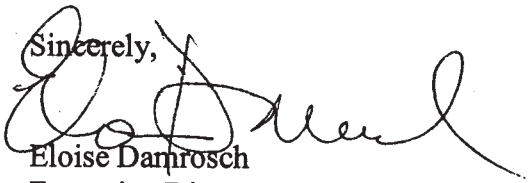
Thank you for giving the Regional Arts & Culture Council (RACC) the chance to participate in and comment on the recently completed performance audit of the city's Percent for Art Program. Your process was thorough and informative and clearly identified issues in need of resolution for the program to function as originally intended by City Council.

Your report indicates that there is considerable confusion about the program, ranging from eligibility of capital projects, to project budget determination, timing, communications, and roles and responsibilities. Your recommendations outline some important steps towards resolving these inconsistencies and this confusion. The Regional Arts & Culture Council is committed to conducting regular meetings and preparing reports as directed in the Percent for Art Ordinance and City Code. We also are eager to work with the Liaison Commissioner, OMF, and all city bureaus to clarify procedures and ensure consistency of all aspects of the Percent for Art Program.

RACC is extremely proud of the percent for art program, which routinely receives accolades across the country and beyond. Clearly, with the work you have accomplished in this audit and with productive future efforts responding to your recommendations, a good program can be a great one. Ultimately the citizens of Portland and our throngs of visitors will enjoy a fine-tuned program and, hopefully, participation by bureaus and individuals will be easy, efficient, and enjoyable.

Thank you for your fine work on this report and for assigning such professional and accommodating staff to the effort. They were great to work with.

Sincerely,



Eloise Darnrosch
Executive Director

Cc: Commissioner Sam Adams
RACC Board Chair Chris Rasmussen

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Report #317, August 2005

Audit Team: Katherine Gray Still

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available on the web at: www.portlandonline.com/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Development Review Process: Bureau commitments to improve timeliness and efficiency have not been fully accomplished (#318, August 2005)

2004 Citizen Survey: Results from six targeted neighborhoods (#316, August 2005)

Police Investigations: Improvements needed to address relatively low clearance rates (#312, July 2005)

