



PERCENT FOR ART:
Progress made, but consistency can be improved

February 2011

LaVonne Griffin-Valade
City Auditor

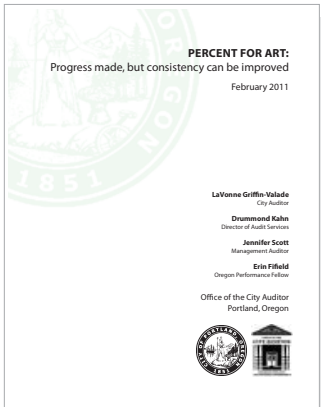
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CITY OF PORTLAND

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February 17, 2011

TO: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Eloise Damrosch, Executive Director, Regional Arts and Culture Council
Sue Keil, Director, Portland Bureau of Transportation
Dean Marriott, Director, Bureau of Environmental Services
Ken Rust, Chief Administrative Officer, Office of Management and Finance
Bruce Warner, Executive Director, Portland Development Commission

SUBJECT: Audit Report-Percent for Art: Progress made, but consistency can be improved (#401)

Attached is our audit on the Percent for Art Program, following up on audit recommendations we made in 2005. The City helps fund public art by requiring participating bureaus to contribute a percentage of eligible improvement project costs to the Percent for Art program. We found that there has been progress made to the program since 2005, but that additional work is needed to clarify the program and ensure that it operates as intended.

The Mayor, Commissioner Saltzman, the Bureau of Environmental Services, the Office of Management and Finance, the Portland Development Commission, and the Regional Arts and Culture Council submitted written responses to this audit. Their responses are included at the back of this report.

We ask the Regional Arts and Culture Council, Bureau of Environmental Services, Office of Management and Finance, and Portland Development Commission to provide us with a status report in one year detailing steps taken to address our recommendations in this report.

We appreciate the cooperation and assistance we received from personnel in the Regional Arts and Culture Council, Bureau of Environmental Services, Office of Management and Finance, Portland Development Commission, and Portland Bureau of Transportation as we conducted this audit.

LaVonne Griffin-Valade
City Auditor

Audit Team: Drummond Kahn
Jennifer Scott
Erin Fifield

Attachment

PERCENT FOR ART:

Progress made, but consistency can be improved

Summary The City of Portland's Percent for Art program dedicates a percentage of the cost of new construction and major building alteration projects to purchase public art. In 2005, we audited the program to determine whether the City was correctly calculating and dedicating the required percentage of construction costs to public art. We found that the program's rules were unclear and City practices inconsistent, making it difficult to determine if the Regional Arts and Culture Council (RACC) was getting the funds they were guaranteed through the program. The audit recommended that the City Commissioner tasked with arts responsibilities, Office of Management and Finance (OMF), Portland Development Commission (PDC), and RACC institute a number of changes in order to clarify the program and method to calculate eligible costs and improve communication between RACC and City bureaus, including PDC.

In this follow-up audit, we reexamined the Percent for Art program in order to determine whether the four recommendations from our 2005 audit were implemented. We found that three recommendations are in process, and one is not implemented. Improvements have been made to the Percent for Art program since our 2005 audit, and the program requirements are clearer now. Although the City has made recent improvements to the program, we found that some problems remain and that additional work is needed in order to make these improvements permanent and to help ensure that program goals are met.

An unresolved issue from 2005 is that some bureaus' participation in the program remains inconsistent. For example, bureaus calculate their Percent for Art contribution using project budget estimates.

Budget estimates may be higher or lower than actual costs of a completed project. City Code requires that when actual project costs are less than estimated costs, the bureau should adjust future payments to RACC to reflect the lower cost. The Bureau of Transportation (PBOT) does not adjust their payments to RACC in these instances, which may result in payments in excess of the City's obligation. In addition, water and sewer operating funds are deemed ineligible for Percent for Art contribution in City Code, but the Bureau of Environmental Services (BES) contributes sewer operating funds to Percent for Art when constructing habitable facilities such as offices or pump stations. Though RACC has a policy on BES' participation in Percent for Art, last updated in 1994, BES does not have their own policy that explains when sewer operating funds should go to Percent for Art.

Another unresolved issue that may limit program effectiveness is limited communication. We found PDC and RACC have not met with the City Attorney to resolve misunderstandings as we recommended they do in 2005. RACC told us that they remain unclear whether PDC is contributing to Percent for Art on all eligible PDC projects. PDC told us that they are not aware of any misunderstandings, and that RACC does not usually receive PDC funds from them directly since most of their projects are done through City bureaus.

An issue that may inhibit long-term program success is that policy changes made in response to the 2005 audit have not been formalized. OMF created Percent for Art program guidelines, but has not yet made formal Citywide Administrative Rules that are widely available. In addition, although PDC created Percent for Art guidelines, they are different from the OMF guidelines, are not widely distributed, and some of its requirements related to reporting projects to RACC are not followed.

Some recommendations from our 2005 audit have been partially implemented, and there has been progress in making program requirements clearer. However, additional work is needed so the program can operate successfully for the long term. We recommend the City make changes designed to ensure that the Percent for Art program operates as intended – and with a structure and process to ensure it functions according to rules and policies in the future.

Background

Recognizing “the great value of public art,” City Council passed an ordinance in 1980 creating the Percent for Art program, which dedicated one percent of eligible costs for new construction and major alteration of City buildings, called “improvement projects,” to the acquisition of public art. In 1989, the City expanded the scope of the program by increasing the amount dedicated to public art to 1.33 percent. In addition, the City added to the list of improvements from which contributions were calculated, new projects involving any structure, park, public utility, street, sidewalk or parking facility.

In 1995, the Metropolitan Arts Commission (MAC), a City bureau responsible for the administration of the Percent for Art program, was restructured into the present day Regional Arts and Culture Council (RACC), a non-profit organization. In 2006, after our audit was released, the City increased the amount of eligible funds allocated to public art to two percent. Over the past five years, RACC has spent about \$1.4 million in Percent for Art funds from the City (See figure 1).

Figure 1 City funds for Percent for Art spent by RACC

Fiscal Year	City funds for Percent for Art spent by RACC	City funds for Percent for Art as Percentage of Total RACC Budget
2005-06	\$267,135	7%
2006-07	\$117,848	2%
2007-08	\$132,521	2%
2008-09	\$324,224	5%
2009-10	\$586,677	9%
5-year total	\$1,428,405	

Source: Regional Arts and Culture Council (RACC)

Audit Results

Our 2005 Percent for Art audit contained four recommendations. In this 2010 audit, we found that three recommendations are in process, and one is not implemented. Each of the recommendations

Figure 2 Status of 2005 Percent for Art audit recommendations

2005 Audit Recommendation	Directed towards	Auditor's assessment of status
1. 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.	Liaison Commissioner	In Process
2. Develop method for including the Percent for Art contribution in the City's Capital Improvement Program budget, as required in the City Code and Ordinance. Institute process to ensure that the contribution is accurately reflected in the Capital Improvement Projects of participating bureaus.	OMF	In Process
3. Conduct meetings and prepare annual reports for participating bureaus as required in the Ordinance and City Code. Improve outreach and communication with participating bureaus.	RACC	In Process
4. 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.	PDC and RACC	Not Implemented

Source: Audit Services Division

and their implementation status is listed in Figure 2. We describe implementation status as “in process” when the recommendation is not yet fully implemented but some actions have been taken.

Program guidelines clarified and method for including contribution in City’s CIP developed, but guidelines not formalized

Less than one month after our 2005 audit was released, the City Commissioner tasked with arts responsibilities convened a working group that included representatives from RACC, OMF, PDC, participating bureaus, and the City Attorney’s office. The group was convened with the intention of helping develop “a clear citywide process for identifying eligible percent for art projects in CIP (Capital Improvement) planning, earmarking proper funds, and providing for early RACC involvement in project conception.”

The group developed guidelines to clarify the identification of eligible projects by updating the City Code chapter on Percent for Art, and by helping to develop OMF’s Percent for Art guidelines for participating bureaus. In addition, the group worked to develop a method for



Promenade (2007)
Artist: John Early and Laura Bender
Funding: Partially funded by Percent for Art - City of Portland
Location: University Park Community Center

including Percent for Art in the City's Capital Improvement Program (CIP) by creating the Public Art Eligibility Form, an excel document that participating bureaus complete as part of their CIP submissions to OMF.

Some bureaus and PDC occasionally calculate their Percent for Art allocation to RACC based on estimated improvement project costs in order to involve RACC earlier in the project. Participating bureaus, OMF, and RACC told us that changes made to the Percent for Art program after the 2005 audit have brought clarity to the program, which is operating better than it did in 2005.

OMF guidelines clarified program requirements, but should be formalized to ensure consistency - Though OMF created guidelines that have clarified the program requirements, the guidelines have not been formalized as Citywide Administrative Rules, and have not been filed as Portland Policy Documents. Since the guidelines are bureau policy, not binding Administrative Rules, they may not be read or followed by all bureaus required to participate in the Percent for Art program.

Program improvements on PDC projects done with bureaus, but PDC guidelines need modification - City Code requires PDC to participate in the Percent for Art program. PDC often performs capital improvement projects in conjunction with bureaus like Transportation and Parks through Intergovernmental Agreements (IGAs). In these instances, the City bureau takes responsibility for the Percent for Art administration and uses the Project Eligibility Form as required in OMF guidelines. However, the Public Art Eligibility Form does not allow bureaus to indicate if a project has PDC involvement, so RACC is often not aware. Transportation and PDC told us that Percent for Art administration on projects done through IGA has improved since 2005 because PDC included language in their new IGA template that delegates Percent for Art administration to the bureaus. This language did not exist before, and in the past, responsibility for Percent for Art administration was not always clear.

PDC capital improvement projects done without City bureaus go through a PDC process, not through the OMF process, so the OMF guidelines do not apply and the Public Art Eligibility Form is not

used. As required in City Code, PDC developed its own guidelines for Percent for Art involvement that were agreed to and signed by RACC. The City Code directs OMF and PDC to each adopt rules which “to the greatest extent practicable shall set forth the same procedures.” However, the procedures established in the PDC guidelines are different from those established by OMF. The OMF guidelines direct bureaus to complete the Public Art Eligibility Form for each CIP project that identifies eligible and ineligible costs and calculates the percent for art contribution. PDC’s guidelines do not have a similar project-level reporting requirement. PDC management told us that when they update their Percent for Art guidelines, they will consider adding a requirement that staff complete a form similar to OMF’s.

Additionally, PDC staff do not follow aspects of their guidelines that relate to identification and reporting of eligible projects to RACC for projects done without the involvement of a City bureau. PDC officials told us that most PDC capital improvement projects involve City bureaus, so the PDC guidelines are rarely used. Because RACC does not always know when PDC is involved with projects administered by bureaus, and because PDC does not follow aspects of their guidelines, RACC officials are often unsure if PDC is making Percent for Art contributions on eligible projects. Also, RACC management told us that they often track down PDC projects after learning of them through press releases, then contact PDC to ask if it will include Percent for Art. This has created extra work and confusion for RACC, and makes it difficult to track PDC’s contribution to Percent for Art.

Bureau practices remain inconsistent

OMF and participating bureau staff reported that the updated City Code, new OMF guidelines, and the Public Art Eligibility Form simplified the Percent for Art program and clarified its requirements. However, during our audit work, we found that the practices of some bureaus participating in the program remain inconsistent.

OMF rules not followed consistently with little oversight to help ensure accuracy - One of the objectives of the 2005 working group was to allow for RACC involvement in projects early, so that when possible, public art is incorporated into capital improvement projects during

the planning process rather than tacked onto completed projects. To help facilitate RACC's early involvement in a project, bureaus and PDC sometimes use project budget estimates to calculate the amount dedicated to public art. OMF guidelines state that increases in project costs that require Council approval should have a corresponding increase in public art funding. On the other hand, when there is a reduction in a project's eligible costs, rather than take back money that may have already been spent, the OMF guidelines instruct bureaus to reduce their future public art allocations.



Verses - Reflected and Reflecting (2010)
Artist: Keiko Hara
Funding: Percent for Art - City of Portland
Location: Portland Archives & Records Center

We found that the Bureau of Transportation (PBOT) is not adjusting their future disbursements to RACC when actual project costs are less than estimated. PBOT staff told us that during the current poor construction economy, actual costs for improvement projects are often less than originally estimated. PBOT's practice means that on some projects, the City is contributing more money to public art than required.

When we discussed a draft of this report with RACC, OMF, and PBOT, they said that adjusting future disbursements to RACC could be operationally challenging. PBOT staff added that requiring bureaus to modify future payments based on any reduction in cost means they would spend time following up on insignificant cost changes resulting in immaterial adjustments to Percent for Art disbursements. PBOT staff told us that if the requirement to adjust future payments in project costs remains in the OMF rule, there should be a threshold established for cost reductions that require action. In addition, they believe that PDC should be involved in the development of a procedure to adjust future payments since they fund many of PBOT's Percent for Art eligible projects. During this time, PBOT also expressed concerns about how the Public Art Eligibility Form reflects design costs.

OMF guidelines require OMF to review and verify all Public Art Eligibility Forms and request appropriate changes prior to submittal to RACC. Though OMF staff reported that they "review the forms at a high level," they said that they do not verify the accuracy of the total eligible costs. They also do not follow-up to ensure that changes in project costs are reflected in payments to RACC. OMF leaves follow-up on project cost changes to bureaus and RACC. RACC officials told us that they do not verify the accuracy of the figures since they rely on OMF to do it. Lack of OMF oversight means that bureau contributions to RACC may not be accurate and that inconsistent bureau practices may not be identified.

When we discussed a draft of this report with OMF staff, they told us that they do not have the project familiarity to verify the accuracy of total eligible costs or to follow up on project cost changes. They believe this work should be done by RACC and participating bureaus since they have more knowledge of project finances and cost changes.

Use of Sewer funds on Art is Unclear - The revised City Code does not specifically state which City bureaus are required to participate in the Percent for Art program. Instead, the Code defines a participating bureau as "a City of Portland Bureau or Commission that funds an Improvement Project within the meaning of this Chapter." City Code

states that sewer and water system construction fund and operating fund revenues are not eligible for Percent for Art. However, some Bureau of Environmental Services (BES) construction projects have included Percent for Art allocations. The public art piece shown below was funded as part of the BES Swan Island Pump Station. We looked into BES' participation in the program because their contribution of sewer funds to Percent for Art seemed to be in conflict with this Code language.



BIG PIPE PORTAL: Making the Invisible Visible (2009)
Artist: Rhiza A + D
Funding: Percent for Art - City of Portland
Location: Swan Island

We discussed the situation with the City Attorney's Office and learned that there are legal opinions on the use of sewer and water operating and construction fund revenue for art. According to the opinions, if an artwork meets certain conditions, one of which is meeting the "connected with" test (meaning that the art is somehow related to the operation of the sewer system), then the use of funds on art is appropriate. The opinion directs the bureau to document how projects meet the test before contributing money to art.

A BES business services manager told us that the bureau allocates money to Percent for Art from capital expenditures used to construct habitable facilities like offices or pump stations, but there is no bureau policy that outlines this practice. There was no documentation of how their Percent for Art allocations met the “connected with” test created before the allocations were made. RACC provided us with a policy last updated in 1994 on BES and Water participation in Percent for Art. RACC reported the policy was originally created when they were a City bureau, with the participation of BES.

The lack of clarity around sewer funds may result in confusion among BES staff about which projects should include a Percent for Art allocation. There may also be public confusion, since Code language suggests that these funds are not eligible and City Attorney opinions found their use allowable under certain conditions. Our concern that Percent for Art guidelines are unclear, a major issue from the 2005 audit, still exists today in the areas described above.

RACC’s communication with City improved, but required guidelines with bureau input lacking

City Code requires RACC to develop guidelines to provide for annual reporting to participating bureaus, and to develop an annual plan for public art that takes into account the views of participating bureaus. Though RACC revised their Percent for Art guidelines in 2006, the reporting and planning guidelines are not included.

RACC has not developed a guideline for annual reporting to participating bureaus; however, communication has improved since 2005. Bureaus and PDC told us that meetings with RACC are generally informal, but there is better communication about the Percent for Art program now than in 2005. In addition to communication with individual bureaus, RACC presents their State of the Arts report annually to City Council. The Percent for Art program was mentioned in the 2010 presentation, though specific details were limited. RACC also prepares an annual Report to the Community, which lists the artists and locations of Percent for Art projects that have been completed or are in process. Though RACC discusses public art planning with participating bureaus and PDC, there have been no written annual plans for public art that take into consideration the views of bureaus.

RACC and PDC have not met with the City Attorney to resolve misunderstandings

In 2005, we recommended that PDC and RACC meet with the City Attorney to seek clarification about disagreements they had at the time. Other than the stakeholder group meeting in 2005, RACC and PDC did not meet with the City Attorney. PDC management told us they think the misunderstandings of 2005 were resolved through their new guidelines and updates made to the IGA template.

RACC told us that though PDC's participation in the program has improved significantly since 2005, they are unsure if PDC is contributing to Percent for Art on all eligible PDC projects. When PDC completes projects with the involvement of participating bureaus, the bureaus handle the Percent for Art administration, and it may not be clear to RACC that the project has PDC involvement since the forms submitted by bureaus do not include that information. PDC told us that in the past few years, they have done the majority of their projects with participating bureaus, so RACC receives PDC's Percent for Art funds through bureaus. Since bureau forms do not indicate if PDC is involved in a project, and because PDC does not follow all aspects of their guidelines on identification and reporting of eligible projects to RACC, it is difficult for RACC to draw conclusions on PDC's participation in the Percent for Art program. We believe that current confusion may be resolved if the parties meet and discuss; the presence of an independent outside office like the City Attorney may improve the process.

When we discussed a draft of this report with PDC management, they told us that they do not believe that there are any current disagreements with RACC and that RACC should communicate their concerns in writing to PDC management so they could be aware of and address the concerns. PDC management also told us that they think that meeting with an independent outside office is valuable only if they and RACC cannot first resolve misunderstandings on their own.



Friendship Circle (1990)
Artists: Lee Kelly, Michael Stirling
Funding: Partially funded by Percent for Art - City of Portland
Location: Waterfront Park

2010 Recommendations

To address the outstanding issues described above, and to formalize positive changes made in response to our 2005 audit, we encourage OMF, PDC, BES and RACC to implement the following recommendations:

1. OMF – Based on concerns about adjusting future payments to RACC when actual costs are less than budgeted, consider modifying the OMF Percent for Art guidelines. Once completed, file OMF Percent for Art guidelines as a Portland Policy Document and complete process to formalize them as Administrative Rules applicable Citywide. Consider adding language to the City Code chapter on Percent for Art that helps explain that sewer and water funds may be used for art if certain conditions are met. Meet with PBOT to discuss how to accurately record design costs in the Public Art Eligibility Form. Update the Form so bureaus can indicate if PDC is involved with a project.

2. PDC – Develop departmental procedures on Percent for Art, with processes similar to OMF’s, that set procedures for capital improvement projects done by PDC and those done with City bureaus. Make procedures available on PDC’s intranet and communicate them to all PDC staff.
3. BES – Develop internal policy that outlines bureau practice and procedure for participation in Percent for Art, and that establishes criteria for when a project may include art and how to document it. Consult with City Attorney about completing OMF’s Public Art Eligibility Form as part of the CIP process. If allowable, submit the Form to OMF for eligible projects.
4. RACC – Develop guidelines to provide for annual reporting to participating bureaus and to develop annual plan for public art that takes into account views of participating bureaus.
5. RACC and PDC – Managers should meet to discuss current concerns. If concerns are not resolved, meet with an independent outside office like the City Attorney to discuss outstanding issues including reporting eligible projects done alone and with City bureaus. These discussions could inform the development of PDC’s procedure on Percent for Art.
6. OMF financial planning and RACC—Work together to develop a process to review and verify Public Art Eligibility Forms to help ensure that bureau contributions to RACC are accurate and reflect City policy. Though the verification and follow up will require the help of participating bureaus, responsibility should be established between these parties and reflected in OMF and RACC guidelines.

**Objective, Scope,
Methodology**

The objective of this audit was to determine whether the recommendations from our 2005 audit on the Percent for Art program have been implemented. In order to achieve this objective, we examined City Code as worded prior to the Percent for Art audit in 2005 and compared it to the Code as worded in 2010. We also

reviewed the guidelines and practices called for in the revised City Code – the new OMF guidelines for City bureaus, the new PDC guidelines, and the revised RACC guidelines. We also reviewed the Public Art Eligibility Form, a tool required by OMF guidelines, to assess if it helped bureaus determine eligible and ineligible project costs, and if it accurately calculated Percent for Art contributions. We interviewed the City Archivist, Administrator of the Portland Policy Documents, managers in the Regional Arts and Culture Council, Portland Development Commission, Office of Management and Finance, Bureau of Environmental Services, Bureau of Transportation, Portland Parks and Recreation, and the City Attorney's Office.

We met with representatives of Transportation, Parks, and PDC and interviewed one bureau about their work with Internal Business Services, because they were the participating bureaus examined in the 2005 audit. We looked at Environmental Services' participation in the program because a public art piece they funded came to our attention during our audit work. We did not examine the Water Bureau's participation in the program.

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESPONSES TO THE AUDIT



OFFICE OF MAYOR SAM ADAMS
CITY OF PORTLAND

January 25, 2011

LaVonne Griffin-Valade
City Auditor
1221 SW 4th Avenue, Room 140
Portland, Oregon 97204

Dear Auditor Griffin-Valade,

Thank you for performing this audit of the City of Portland Percent for Art program. I appreciate your analysis, as well as the opportunity to contribute a response. Percent for Art reflects how our community values public access to the arts as an important component of livability for our city and our region. I am pleased to lead efforts to strengthen this 30-year-old program.

The City Auditor's original report on Percent for Art in 2005 outlined four recommendations, which I wholeheartedly supported. To act on these recommendations, I convened a working group including representatives from the Regional Arts & Culture Council (RACC), the Office of Management & Finance (OMF), the Portland Development Commission (PDC), bureaus participating in Percent for Art, and the City Attorney's office.

As you note in your report, the work of this group to develop a clear citywide process for Percent for Art resulted in an update to the relevant City Code, the creation of OMF Percent for Art guidelines for participating bureaus, as well as a Public Art Eligibility Form. I was pleased to work towards the development of this more rigorous system, as well as the 2006 increase in the City's eligible fund allocation to public art to two percent.

Your report indicates that these and other changes have led to greater clarity and improved communication, and that further work would increase consistency in these areas. I concur with the recommendations contained in the report, and look forward to working with OMF, PDC and RACC on making these improvements to our policy, procedures, reports and overall communications so that this program can be even more effective.

Once again, thank you for your hard work and dedication to the City of Portland.

Sam Adams
Mayor
City of Portland



— CITY OF PORTLAND —
ENVIRONMENTAL SERVICES



1120 SW Fifth Avenue, Room 1000, Portland, Oregon 97204 ■ Dan Saltzman, Commissioner ■ Dean Marriott, Director

January 24, 2011

To: Auditor Lavonne Griffin-Valade

From: Commissioner Dan Saltzman

DRS

Environmental Services Director Dean Marriott

DM

Subject: Audit #401, Percent for Art

Thank you for the opportunity to comment on Audit Report #401, "Percent for Art: Progress made, but consistency can be improved." We found it particularly helpful to have your report clarify the situation regarding the Percent for Art requirements.

We agree with the Report's recommendation to develop a written policy to formalize the Bureau's long standing practice. The Bureau has already begun the development of such a policy.

We think it appropriate to exclude the majority of sewer system capital expenditures from the Percent for Art requirement when they are underground and out of sight. It has been Bureau practice to include Percent for Art in project costs when building habitable structures above ground. The Bureau's Water Pollution Control Lab and the Swan Island Pump Station are just two examples of where the Bureau has invested in public art. We believe this is the appropriate balance to strike.



CITY OF PORTLAND
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MEMORANDUM

TO: Auditor LaVonne Griffin-Valade
FROM: Kenneth L. Rust, Chief Administrative Officer *KLR*
SUBJECT: Percent for Art Audit
DATE: January 25, 2011

Thank you for providing the Office of Management and Finance (OMF) with the opportunity to review Percent for Art, Report #401 (the Audit).

OMF has reviewed recommendations #1 and #6 contained in the Audit and concurs with them. We plan to convene a group of stakeholders to review a draft Percent for Art policy and updated procedures, with the goal of simplifying the process for determining and awarding the Percent for Art contribution, and will prepare an ordinance for Council to submit the policy as part of the Portland Policy Documents. The stakeholders for this effort will include participating bureaus, the Portland Development Commission and the Regional Arts and Culture Council.

Thank you for providing opportunities to respond to the working draft and the final draft of the Audit.

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To help ensure equal access to programs, services and activities, the Office of Management & Finance will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities upon request.



January 20, 2011

Ms. LaVonne Griffin-Valade
City Auditor
City of Portland
1221 SW 4th Avenue, Room 310
Portland, Oregon

J. Scott Andrews
Commission Chair

Aneshka Dickson
Commissioner

John C. Mahlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Bruce A. Warner
Executive Director

Dear Ms. Griffin-Valade:

Thank you for the opportunity to respond to the follow-up Percent for Art audit.

I agree with your conclusion that while improvements have been made since your last audit, additional work is needed to further ensure consistency and effectiveness of the Percent for Art program.

With regard to the following recommendations that specifically apply to Portland Development Commission (PDC), I have instructed staff to begin implementing the following corrective actions.

2. PDC – Develop departmental procedures on Percent for Art, with processes similar to OMF’s that set procedures for capital improvement projects done by PDC and those done with City bureaus. Make procedures available on PDC’s intranet and communicate them to all PDC staff.

The PDC will be developing a Percent for Arts Administrative Policy and Procedures to expand on and improve existing procedures, including the use of a new Public Art Eligibility Form similar to one currently used by city bureaus. Once adopted, the policy and procedures will be communicated broadly to PDC staff with focused training for those more directly involved in project management.

6. RACC and PDC – Managers should meet to discuss current concerns. If concerns are not resolved, meet with an independent outside office like the City Attorney to discuss outstanding issues including reporting eligible projects done alone and with City bureaus. These discussions could inform the development of PDC’s procedure on Percent for Art.

Within the next 30 days, PDC’s Chief Financial Officer and key staff will request and hold a meeting with Regional Arts and Culture Council (RACC) representatives. During this meeting, we will outline the improvements we plan to make in our policy and procedures. We will also discuss any outstanding concerns RACC has about our participation in the Percent for Art program. We subsequently will meet with RACC periodically to keep them informed of changes to our procedures and consider any suggestions they have for improvement. If at any time RACC does not believe their concerns are being met, or PDC is not complying with legal requirements of the program, we will seek assistance from an outside independent office to help resolve those issues.

We are confident providing RACC with a new Public Art Eligibility Form (similar to the one used by the city on all covered projects) will help RACC understand whether Percent for the Arts funding will be received directly from the City or from PDC.

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Ms. LaVonne Griffin-Valade

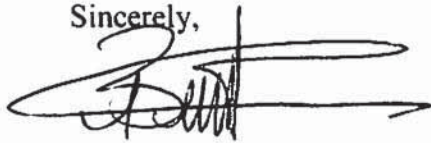
Page 2

January 20, 2011

On behalf of the PDC Audit Committee, please extend our appreciation to the Audit Services staff for their effort on this audit and considering our feedback during the process.

We look forward to building on the improvements made since the 2005 Percent for the Art Audit and working with RACC to strengthen our important partnership. Together, I know we will continue to make the Percent for the Arts Program a success for our community.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce A. Warner", with a large, sweeping horizontal flourish extending to the right.

Bruce A. Warner
Executive Director

CC: Mayor Sam Adams
PDC Audit Committee



Regional Arts & Culture Council

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January 25, 2011

Lavonne Griffin-Valade, City Auditor
City of Portland
1121 SW 4th Avenue, Room 310
Portland, OR 97204

Dear Ms. Griffin-Valade,

Thank you for the opportunity to respond to the follow-up audit on the Percent for Art Program, Report #401. It has been a pleasure to work with your staff on this. We are pleased to note that indeed progress has been made since the original audit in 2005 and agree that consistency can still be improved. The administrative policies that we adopted in 2006, along with the public art eligibility form, have been very helpful in the planning and tracking of percent for art projects. Five years later, we know that there is additional fine tuning to be done. We agree with your recommendations and will work to implement them this year.

The recommendations in which RACC is specifically cited include:

4. *RACC – Develop guidelines to provide for annual reporting to participating bureaus and to develop annual plan for public art that takes into account views of participating bureaus.*

In the coming months, RACC will work with participating bureaus to develop the guidelines and timelines for our annual plans for and reporting about public art.

5. *RACC and PDC – Managers should meet to discuss current concerns. If concerns are not resolved, meet with an independent outside office like the City Attorney to discuss outstanding issues including reporting eligible projects done alone and with City bureaus. These discussions could inform the development of PDC's procedure on Percent for Art.*

While we believe that there has been significant progress over the past several years in tracking PDC's contributions to Percent for Art, especially with projects involving additional City bureaus, we look forward to working further with PDC to continue to clarify the tracking of eligible projects within PDC's budgeting & implementation processes.


6. *OMF financial planning and RACC – Work together to develop a process to review and verify Public Art Eligibility Forms to help ensure that bureau contributions to RACC are accurate and reflect City policy. Though the verification and follow up will require the help of participating bureaus, responsibility should be established between these parties and reflected in OMF and RACC guidelines.*

The Public Art Eligibility Forms and their presence in the capital budgeting process has been an excellent tool for RACC & the participating bureaus to plan for Percent for Art projects since 2006. The continued

refinement of tools is something RACC staff is eager to work on with PDC and OMF. One change we know we want to make to the form is to add a checkbox that defines whether or not there is PDC funding in a City CIP project.

We value our ongoing work with the various City bureaus and PDC and look forward to further refining these processes with them, allowing us to bring as much art as possible to the citizens of Portland as part of our nationally recognized Public Art Program.

Sincerely,



Eloise Damrosch

Executive Director

CC: Mayor Sam Adams

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Percent for Art: Progress made, but consistency can be improved

Report #401, February 2011

Audit Team: Jennifer Scott
Erin Fifield

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LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Sewer Maintenance: BES and PBOT maintain the system together, but should consider operational changes (#365, December 2010)

City of Portland Service Efforts and Accomplishments: 2009-10, 20th Annual Report on City Government Services (#400, December 2010)

Police Taser Use: Incidents generally resolved, but some practices and policies could be improved (#386, November 2010)

