

**STATE OF NEBRASKA  
ATTESTATION REVIEW  
OF THE  
NEBRASKA ARTS COUNCIL**

**JULY 1, 2007 THROUGH JUNE 30, 2008**

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**Issued on May 12, 2009**

NEBRASKA ARTS COUNCIL  
ATTESTATION REVIEW

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## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### **Independent Accountant's Report**

Citizens of the State of Nebraska:

We have reviewed the expenditures, revenues, payroll, and capital assets of the Nebraska Arts Council for the period July 1, 2007, through June 30, 2008. The Nebraska Arts Council's management is responsible for the expenditures, revenues, payroll, and capital assets. Management did not provide us a written assertion regarding such matters.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the expenditures, revenues, payroll, and capital assets. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the expenditures, revenues, payroll, and capital assets, are not presented, in all material respects, in conformity with the criteria set forth in the Criteria section.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Nebraska Arts Council's expenditures, revenues, payroll, and capital assets, and any fraud and illegal acts that are more than inconsequential that come to our attention during our review. We are also required to obtain the views of management on those matters. We did not perform our review for the purpose of expressing an opinion on the internal control over the Nebraska Arts Council's expenditures, revenues, payroll, and capital assets or on compliance and other matters; accordingly, we express no such opinions.

Our review disclosed no findings that are required to be reported under *Government Auditing Standards*. However, we noted a certain other matter, and that finding, along with the views of management, is described below in the Summary of Results.

This report is intended solely for the information and use of the Citizens of the State of Nebraska, management of the Nebraska Arts Council, others within the Nebraska Arts Council, and the appropriate Federal and regulatory agencies; however, this report is a matter of public record, and its distribution is not limited.

Signed Original on File

Mike Foley  
Auditor of Public Accounts

Timothy J. Channer, CPA  
Assistant Deputy Auditor

May 12, 2009

NEBRASKA ARTS COUNCIL  
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**Background**

Although the Nebraska Arts Council was created in 1965, its present form is the result of legislation in 1973 (Neb. Rev. Stat. §§ 82-301 to 82-316 Reissue 2008) which created a Council of 15 members appointed by the Governor and approved by the Legislature. To ensure diversity, five members are appointed from each of Nebraska's three congressional districts. The members of the Council are known for their professional competence and experience or longstanding interest in the arts. The Council oversees all agency policy and makes final decisions on grant awards as recommended by review panels. The Council meets four times annually to conduct its business. Members are not paid for their services, but are reimbursed for expenses.

The duties of the Nebraska Arts Council (Neb. Rev. Stat. § 82-312 Reissue 2008) include "To stimulate and encourage throughout the state the study and presentation of the performing and fine arts and public interest and participation therein;" and "To take such steps as may be necessary and appropriate to encourage public interest in the cultural heritage of our state and to expand the state's cultural resources." The Nebraska Arts Council allocates the majority of its funding from State and Federal sources in the form of matching grants to nonprofit organizations incorporated in the State of Nebraska and Nebraska schools to fulfill these mandates.

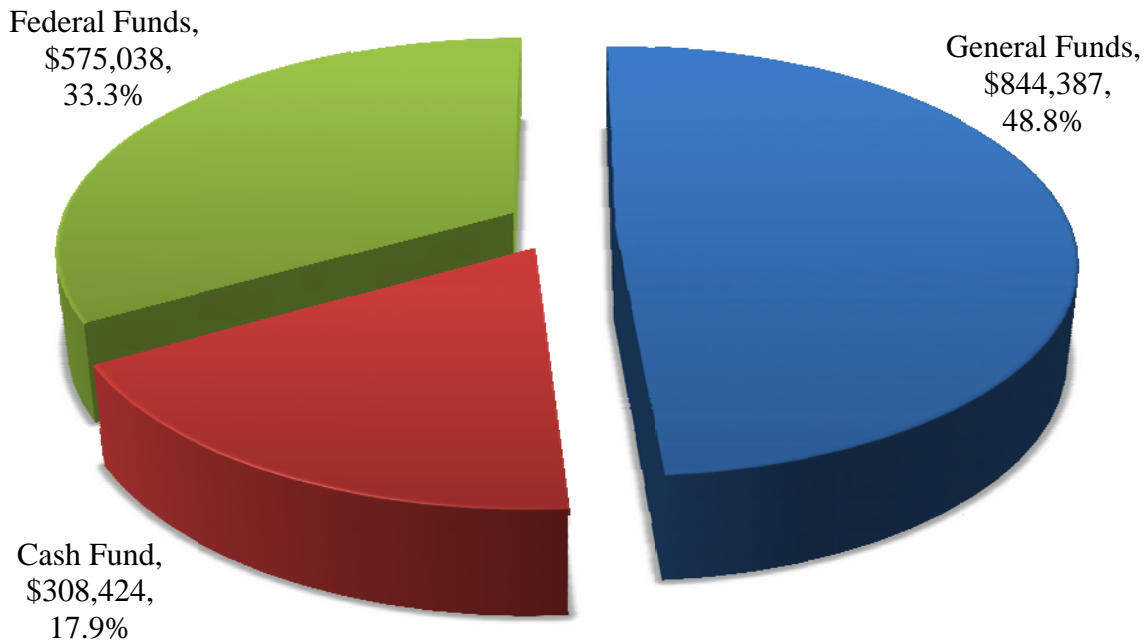
In addition to its grant programs, the Nebraska Arts Council provides nonprofit administrative research and advisory services to the State's cultural community, maintains an extensive database of information concerning the arts as a component of economic development, and undertakes activities to support and enhance arts education in Nebraska schools. The Nebraska Arts Council conducts the biennial Governor's Arts Awards and manages several exhibition programs at the Governor's Residence and at the Fred Simon Gallery in the Council's Omaha office.

In 1978, the Legislature designated the Nebraska Arts Council to administer the acquisition of artworks for public buildings (Neb. Rev. Stat. §§ 82-317 to 82-329 Reissue 2008). Known as the 1% for Art program, artworks are purchased or commissioned as enhancements for State owned buildings constructed or renovated through funds allocated by the Legislature. The Nebraska Arts Council maintains the inventory for the State's collection of public art and facilitates the administration of the collection.

In 1998, the Legislature established the Cultural Preservation Endowment Fund and the Nebraska Arts and Humanities Cash Fund (Neb. Rev. Stat. §§ 82-331 to 82-333 Reissue 2008) to supplement State and Federal appropriations. The earnings may be used to support long-term stabilization of Nebraska's cultural institutions and to enhance arts education efforts in the State. A private dollar-for-dollar match must be established in order for the Council to access the earnings from this fund.

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**Expenditures by Fund Type for Grant Programs**  
For the Fiscal Year 2008  
**Total Funds \$1,727,849**



**Expenditures by Grant Programs**  
**Programs for Organizations**

<b>Artists in Schools/Communities Residency Sponsor Grants</b>	\$ 94,683
Support fees for artists' residencies in school or community settings.	
<b>Project Grants</b>	
For Arts Education: support projects that integrate the arts into the basic curriculum of a school district, or emphasize collaborations and/or community arts education.	\$ 61,012
For Collaborative Projects: support collaborative arts projects sponsored by arts or non-arts organizations.	\$ 116,842
For Multicultural Awareness: support projects that significantly include people of color and/or works by people of color in existing or new arts programming.	\$ 72,521
<b>Multicultural Assistance Grants</b>	\$ 12,203
Grants to arts organizations or non-arts community and volunteer organizations that primarily serve and are composed of people of color.	

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**Special Opportunity Support Grants** \$ 28,883  
 Small grants to organizations for emergency or contingency funds, high-risk ventures, professional development, pilot projects, and collaborative new work/projects.

**Basic Support Grants** \$ 464,983  
 Provide annual operating support to eligible Nebraska arts organizations. New applicants must contact the Council before applying.

**Nebraska Touring Program/Exhibits Nebraska Sponsor Grant** \$ 48,192  
 Nebraska artists and performing arts organizations are reviewed for inclusion in the Council’s Artist Directory, used by nonprofit organizations to select performances and exhibits.

**Nebraska Cultural Endowment (NCE)** \$ 308,424  
 The NCE is a 501(c) (3) nonprofit corporation that exists solely to fundraise and invest the funds raised on behalf of the Nebraska Arts Council and the Nebraska Humanities Council.

**Nebraska Humanities Council (NHC)** \$ 200,000  
 The NHC is a 501(c) (3) nonprofit corporation affiliated with the National Endowment for the Humanities, a Federal agency. Its mission is to cultivate an understanding of our history and culture.

**Programs for Artists**

**Individual Artist Fellowships** \$ 23,000  
 Competitive award program for Nebraska artists. Literature, performing arts, and visual arts alternate in a 3-year cycle.

**Other Programs**

**School Bus for the Arts Program** \$ 19,106  
 Helps underwrite the cost of field trips and admission fees to attend arts events such as live music, dance, or theatre performances and cultural exhibits at museums or other venues.

**Special Initiatives** \$ 278,000  
 Special Initiative projects assist arts communities in developing resources and support Nebraska’s arts industry, provide arts education initiatives that have sustained impact on a community, showcase Nebraska artists of exceptional quality, and promote understanding among cultures with sustained, long-term impact.

**Total** \$ 1,727,849

See **Exhibit 1** for Chart of Expenditures by Nebraska Arts Council’s Grant Program.

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**Expenditures by Artistic Disciplines**

**Grant Amounts by Discipline**

<b>Dance</b> - Can include Ballet, Ethnic/Jazz, or Modern	\$	35,827
<b>Music</b> - Can include Band, Chamber, Choral, New, Ethnic, Jazz, Popular, Solo/Recital, or Orchestral	\$	123,517
<b>Opera/Music Theatre</b> - Can include Opera or Musical Theatre	\$	18,463
<b>Theatre</b> - Can include Theatre General, Mime, Puppet, or Theatre for young audiences.	\$	132,738
<b>Visual Arts</b> - Can include Experimental, Graphics, Painting, or Sculpture	\$	128,935
<b>Crafts</b> - Clay, Fiber, Glass, Leather, Metal, Paper, Plastic, Wood, or Mixed Media	\$	2,000
<b>Media Arts</b> - Can include Film, Audio, Video, or Technology/Experimental	\$	77,972
<b>Literature</b> - Can include Fiction, Non-Fiction, Playwriting, or Poetry	\$	25,078
<b>Folklife/Traditional Arts</b> - Can include Folk/Traditional Dance, Folk/Traditional Music, Folk/Traditional Crafts and Visual Arts, or Oral Traditions	\$	22,897
<b>Humanities</b> - Can include History, Philosophy, Languages, Literature, Linguistics, Archaeology, Jurisprudence, History and Criticism of the Arts, Ethics, or Comparative Religion	\$	201,851
<b>Multi-Disciplinary</b> - Can include any combination of the above disciplines	\$	810,616
<b>Non-Arts/Non-Humanities</b> - This category includes projects that do not have the arts as their primary mission (e.g. social service organizations, civic groups, technical consultants, or banks).	\$	133,358
<b>Miscellaneous</b>	\$	14,597
<b>Total</b>	<b>\$</b>	<b><u>1,727,849</u></b>

See **Exhibit 2** for Chart of Expenditures by Artistic Discipline.



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**Criteria**

The criteria used in this attestation review were Nebraska State statutes, Nebraska Rules and Regulations, Nebraska Accounting Manual requirements, Nebraska Arts Council Rules and Regulations, Nebraska Personnel Rules and Regulations, and Federal Office of Management and Budget (OMB) Circulars.

**Summary of Procedures**

Pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2008), the Auditor of Public Accounts (APA) conducted an attestation review of the expenditures, revenues, payroll, and capital assets for the period July 1, 2007, through June 30, 2008, in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The APA's attestation review consisted of the following procedures:

1. Reviewing internal controls over expenditures, revenues, payroll and capital assets.
2. Analytical procedures were completed for expenditures, payroll and revenue accounts.
3. Detail testing of travel, aid, payroll, and other expenditures.
4. Review of contracting procedures.
5. Testing journal entries and negative account transactions for expenditures and revenues.
6. Testing of applicable State statute compliance.
7. Testing of applicable Federal grant compliance.
8. Testing leave earnings, usage, and balances.
9. Testing of labor distributions.
10. Testing of employment termination payments.
11. Follow-up of prior findings.
12. Testing of the grant award process.

**Summary of Results**

The summary of our attestation review noted the following finding and recommendation:

**1. 1% for Art**

Neb. Rev. Stat. § 82-329 (Reissue 2008) states, "The Nebraska Arts Council shall maintain an inventory of all works of art purchased under sections 82-317 to 82-329, 85-106 to 85-106.03, and 85-304 to 85-304.03 and shall inspect each work of art at least once each calendar year to determine its condition. The Nebraska Arts Council may recommend procedures for regular maintenance, preservation, and security and for the repair of any damaged work of art."

The Council could not provide adequate documentation that all works of art purchased under the 1% for Art statutes were inventoried. The Council also could not provide adequate documentation that these same works of art were being inspected at least once each calendar year. The date of inspection was not completed on all of the forms used to inventory the works of art purchased under the 1% for Art statutes. The Council was in the process of inputting data for all works of art purchased under the 1% for Art statutes into a computer inventory system, but only had about a third of the works of art input.

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When a complete and accurate inventory of works of art purchased under the 1% for Art statutes is not maintained and these same works of art are not inspected at least once each calendar year there is an increased risk the works of art will not be adequately maintained, preserved, secured, or repaired and the Council is not in compliance with State statute.

We recommend the Council implement procedures which ensure an accurate and complete inventory is maintained of all works of art purchased under the 1% for Art statutes and these same works of art are inspected at least once each calendar year as required by State statute.

*Council's Response: During the past 33 months, the NAC launched a concentrated effort to accurately inventory and assess the condition of the State 1% for Art collection and ultimately organize this information into our computer inventory system. The agency has conducted a condition assessment at least once (some sites have been visited at least twice during this timeframe) on every known 1% project site artwork, despite significant time and staffing constraints.*

*At the time of the audit, the records and materials supporting these efforts were not yet organized into a format that allowed for ready access to comprehensive reporting which would meet audit standards. The NAC expects the remaining data to be collected and processed in the next biennium, which will result in a clear and accurate reporting format as well as establishing a regular assessment schedule which will comply with statutory parameters.*

*The NAC would acknowledge that given the size of the current collection, its widespread locations throughout the state, and the limited time, staffing and resources available to the agency, the "at least once per calendar year" requirement for assessments is difficult to accomplish. However, the agency is looking into ways to creatively use resources and technology to meet this objective.*

**Overall Conclusion**

An accurate and complete inventory of the works of art purchased under the 1% for Art statutes was not maintained and these same works of art were not inspected each calendar year.

The APA staff members involved in this attestation review were:

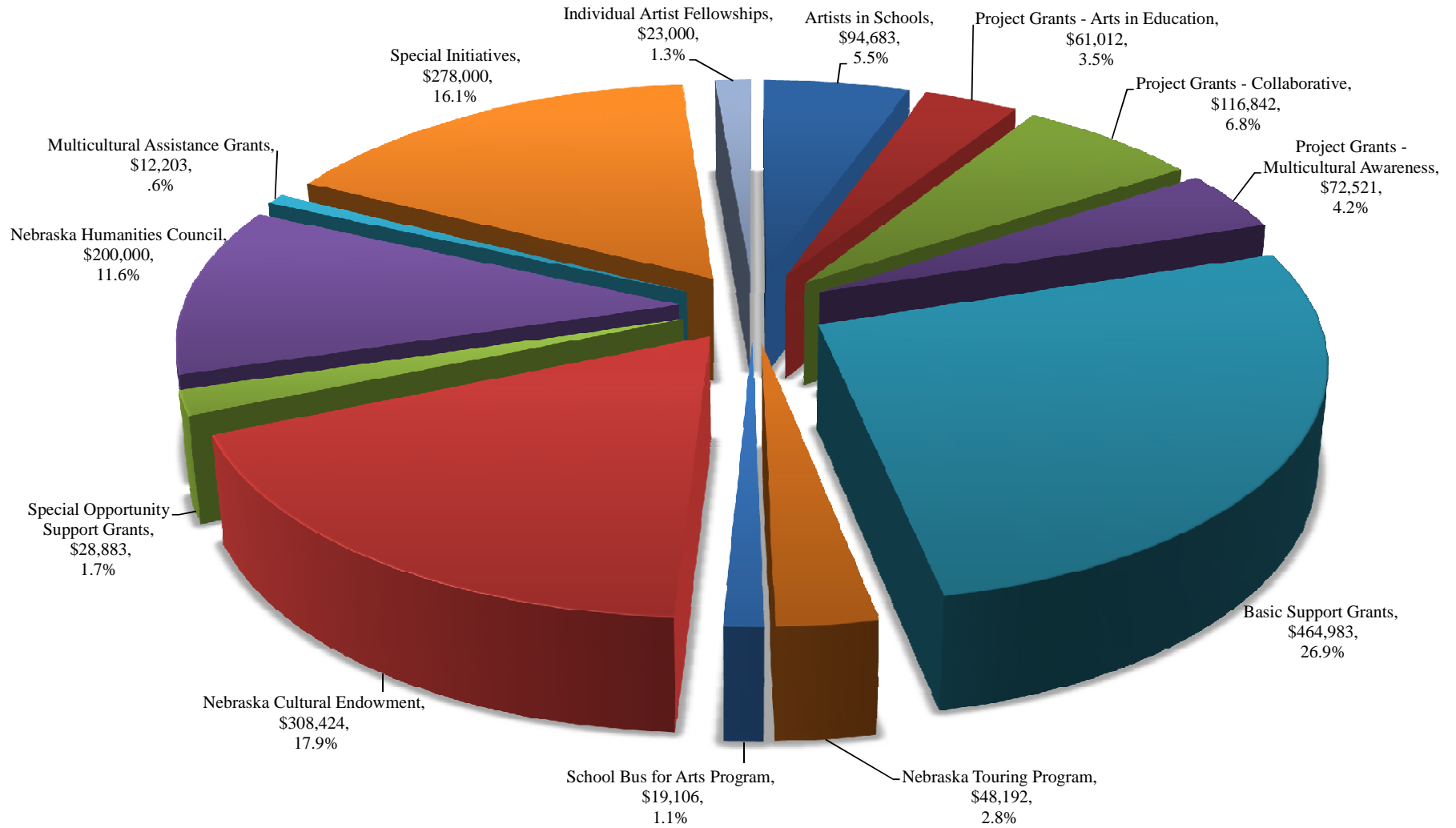
Timothy J. Channer, CPA, Assistant Deputy Auditor  
Tom Goeschel Jr., Auditor II  
Martin Adams, CFE, Auditor

If you have any questions regarding the above information, please contact our office.

**NEBRASKA ARTS COUNCIL**  
**EXPENDITURES BY GRANT PROGRAMS**  
 For the Fiscal Year 2008

**EXHIBIT 1**

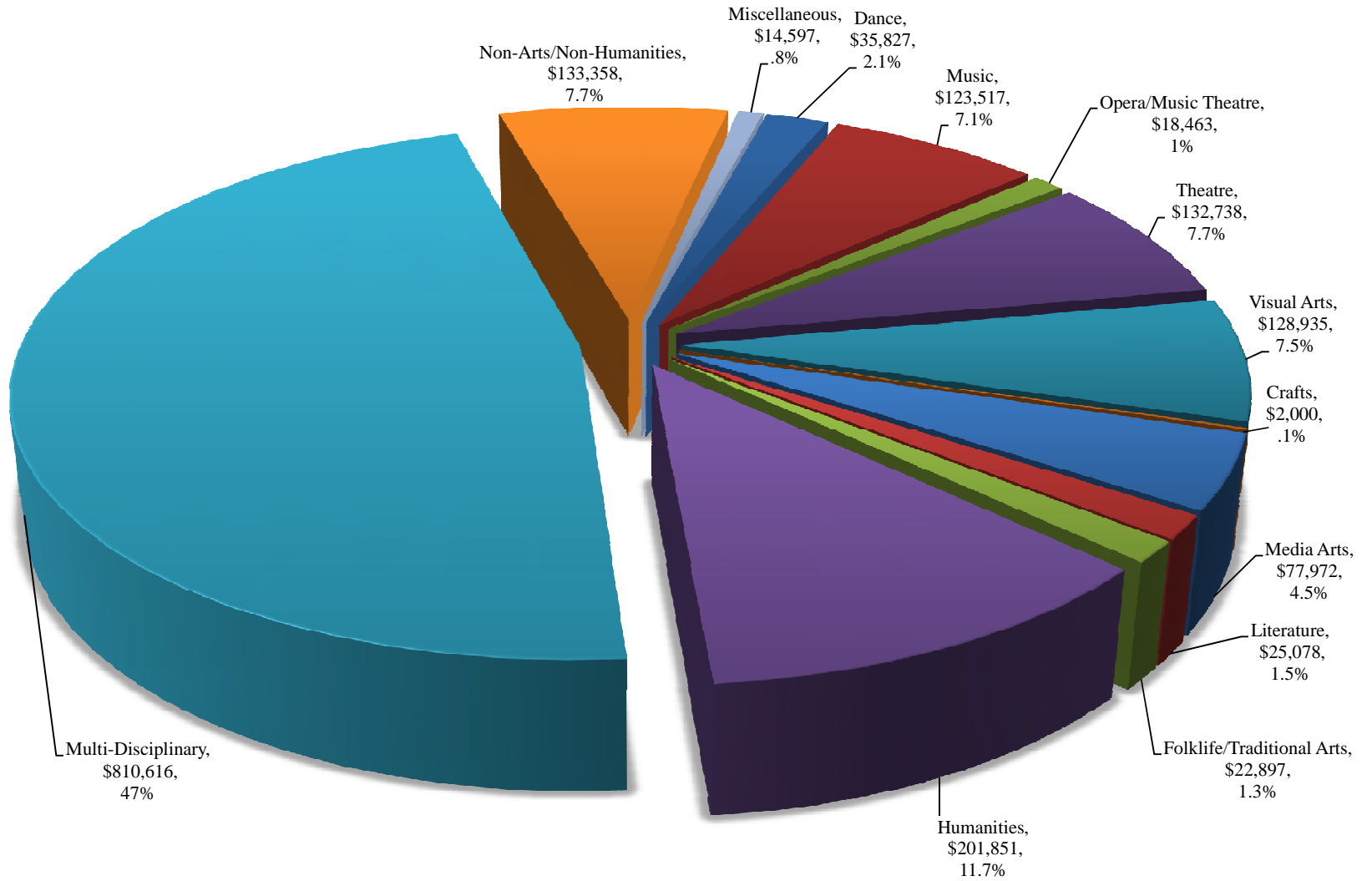
**Total \$1,727,849**



NEBRASKA ARTS COUNCIL  
EXPENDITURES BY ARTISTIC DISCIPLINES  
For the Fiscal Year 2008

EXHIBIT 2

Total \$1,727,849



NEBRASKA ARTS COUNCIL  
**SCHEDULE OF EXPENDITURES**  
 For the Fiscal Year Ended June 30, 2008

**EXHIBIT 3**

	General Fund 10000	Arts Council Cash Fund 26900	Nebraska Arts & Humanities Fund 26920	Fine Arts Federal Fund 46910	<b>Totals (Memorandum Only)</b>
EXPENDITURES:					
Personal Services	\$ 423,005	\$ -	\$ -	\$ 100,928	\$ 523,933
Operating	123,608	3,019	-	23,668	150,295
Travel	20,703	463	-	584	21,750
Government Aid	844,387	-	308,424	575,038	1,727,849
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,411,703</b>	<b>\$ 3,482</b>	<b>\$ 308,424</b>	<b>\$ 700,218</b>	<b>\$ 2,423,827</b>