



Scottsdale Arts

Audit No. 2410

WHY WE DID THIS AUDIT

This audit was included on the City Council-approved fiscal year FY 2023/24 Audit Plan to evaluate contract compliance, effectiveness, and administration of the Management Services Agreement with Scottsdale Arts.

BACKGROUND

Scottsdale Arts (formerly known as the Scottsdale Cultural Council) is a non-profit corporation that provides advisory and management services for the City's arts and cultural programs. These include Public Art, Arts Education and Outreach, Community Arts Grants, and operation of 3 city-owned facilities: the Scottsdale Museum of Contemporary Art (SMoCA), the Scottsdale Center of Performing Arts (SCPA), and Civic Center.

The current Management Services Agreement (Agreement), approved in November 2020, has an initial 5-year term ending in June of 2025, with optional 1-year extensions allowing for a maximum of 5 additional years. Each year, a Financial Participation Agreement is approved by Council to establish the financial terms for the Agreement. The Agreement is administered by the Tourism and Events department.

WHAT WE FOUND

Maximizing event programming and rental of city-owned facilities can help decrease reliance on City funding and increase events available to the Scottsdale community.

Earned revenues and contributions have increased in the past year, but low revenues from operations of the 3 city facilities hinder progress towards reducing reliance on City funding.

- FY 2022/23 operating expenditures exceeded revenues. Increasing facility usage and event attendance could improve earned revenues.
- The Agreement lacks clear objectives for operation of city owned facilities.
- Market analysis of facility rental rates has not been conducted and rates have not been submitted for Council approval.
- Clarifications for measurement of non-city funding are needed.

Improvements to contract clarity and performance expectations are needed to better measure achievement of contract objectives.

- Overall, the Agreement lacks adequate performance measures necessary for assessing the achievement of its objectives.
- Terms for Civic Center revenue sharing need clarification and reported revenues and expenses are not supported by financial records.
- Expectations for management of City artwork and conservation need to be clarified.

Reporting of financial and performance information could be improved, and monitoring of deliverables completion is needed.

- Uses for all earmarked funds have not been reported.
- Scottsdale Art's operating budget does not provide prior year actuals for comparison and financial reports do not provide revenues allocated by business function.
- Many contract deliverables were incomplete or not received timely.

WHAT WE RECOMMEND

We recommend the Tourism and Events Director:

- As a new Agreement is negotiated, recommend to City Council the inclusion of outcome-based performance measures and strategic priorities.
- Clarify contract terms on revenue-sharing and outside funding requirements. Consider additional contract remedies for non-compliance.
- Develop a reporting format to capture financial and performance information to inform evaluations and funding decisions.
- Develop a tracking tool for monitoring completion of contract deliverables.