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ALEXANDRIA MUSEUM OF ART

ALEXANDRIA, LOUISIANA

DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9.1.04

ALEXANDRIA MUSEUM OF ART

DECEMBER 31, 2003

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Alexandria Museum of Art

We have audited the accompanying statement of financial position of the Alexandria Museum of Art (a non-profit organization) as of December 31, 2003, and the related statements of activity and cash flows for the eight months then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alexandria Museum of Art as of December 31, 2003, and the results of its operations and cash flows for the eight months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2004, on our consideration of Alexandria Museum of Art's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. DVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JUNEAU, C.P.A.
JAMES N. BALLARD, C.P.A.
L. PAUL HODD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
Alexandria Museum of Art

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of administration expenses, Heart of Spain exhibit activities, and expenditures of federal awards (required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Payne, Moore & Herrington, LLP

Certified Public Accountants

June 24, 2004

**ALEXANDRIA MUSEUM OF ART
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003**

EXHIBIT A

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 580,255
Accounts and grants receivable	185,490
Unconditional promises to give	69,322
Accrued interest	19,960
Inventory	57,202
Total Current Assets	912,229

INVESTMENTS

1,687,895

**PROPERTY, PLANT, AND EQUIPMENT,
NET OF ACCUMULATION DEPRECIATION**

4,397,848

ART COLLECTION

503,102

LONG-TERM UNCONDITIONAL PROMISES TO GIVE

200,600

TOTAL ASSETS

\$ 7,701,674

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 314,775
Contracts payable	814,013
Note payable - line of credit	49,642
Deferred revenues	11,000
Other accrued expenses	8,570
Total Current Liabilities	1,198,000

NET ASSETS

Unrestricted	4,253,970
Temporarily restricted	12,417
Permanently restricted	2,237,287
Total Net Assets	6,503,674

TOTAL LIABILITIES AND NET ASSETS

\$ 7,701,674

The accompanying notes are an integral part of the financial statements.

**ALEXANDRIA MUSEUM OF ART
STATEMENT OF ACTIVITIES
EIGHT MONTHS ENDED DECEMBER 31, 2003**

EXHIBIT B

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 12,508	\$ 313,203	\$ 7,540	\$ 333,251
Donated facility rental	72,000			72,000
Donated security services	200,000			200,000
Grants	20,250	965,353		985,603
Memberships	34,445			34,445
Interest and dividends	55,813	605		56,418
Realized and unrealized gains on investments			31,767	31,767
Other revenues	5,301	1,205,203		1,210,504
Net assets released from restrictions	<u>3,157,820</u>	<u>(3,157,820)</u>		-
Total Revenues, Gains, and Other Support	3,558,137	(673,456)	39,307	2,923,988
EXPENSES				
Program services				
Exhibits	2,668,609			2,668,609
Education	33,789			33,789
Collection	18,172			18,172
Total Program Services	<u>2,720,570</u>	-	-	2,720,570
Administration	223,498			223,498
Fundraising	954			954
Loss on disposal of assets	4,041			4,041
Total Expenses	<u>2,949,063</u>	-	-	2,949,063
CHANGE IN NET ASSETS	609,074	(673,456)	39,307	(25,075)
NET ASSETS, BEGINNING OF PERIOD	<u>3,644,896</u>	<u>685,873</u>	<u>2,197,980</u>	<u>6,528,749</u>
<u>NET ASSETS, END OF PERIOD</u>	<u>\$ 4,253,970</u>	<u>\$ 12,417</u>	<u>\$ 2,237,287</u>	<u>\$ 6,503,674</u>

The accompanying notes are an integral part of the financial statements.

**ALEXANDRIA MUSEUM OF ART
STATEMENT OF CASH FLOWS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

EXHIBIT C

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (25,075)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	116,589
Realized and unrealized gains on investments	(31,767)
Accession of art - by donation	(4,368)
Donation of investments	(21,581)
Changes in operating assets and liabilities:	
Accounts and grants receivable	(185,490)
Unconditional promises to give	33,138
Accrued interest	(123)
Inventory	(57,202)
Accounts payable	313,146
Contracts payable	814,013
Other accrued expenses	1,589
NET CASH PROVIDED BY OPERATING ACTIVITIES	952,869

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture, equipment, and building improvements	(1,246,686)
Transfers from investments	215,868
NET CASH USED IN INVESTING ACTIVITIES	(1,030,818)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments on note payable	(283)
NET CASH USED IN FINANCING ACTIVITIES	(283)

NET DECREASE IN CASH AND CASH EQUIVALENTS (78,232)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 658,487

CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 580,255

ADDITIONAL REQUIRED DISCLOSURES:

1. The Museum considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. Interest paid during the eight months ended December 31, 2003 totaled \$1,545.
3. No income taxes were paid during the eight months ended December 31, 2003.
4. There were no material noncash investing and financing transactions during the eight months ended December 31, 2003 that affected recognized assets or liabilities.

The accompanying notes are an integral part of the financial statements.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Alexandria Museum of Art, (the Museum) is a non-profit corporation formed in 1977. Its purpose is to encourage appreciation, education, and active participation in artistic expression and the promotion of art and culture.

Basis of Accounting

The Museum maintains its accounting records on the accrual basis of accounting in conformity with the standards promulgated by the American Institute of Certified Public Accountants. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Museum prepares its financial statements in accordance with the following Statements of the Financial Accounting Standards Board (SFAS): Statement No.116, *Accounting for Contributions Received and Contributions Made*; Statement No.117, *Financial Statements of Not-for-Profit Organizations*; and Statement No.124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

The Museum reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Museum is required to present a statement of cash flows.

Cash and Cash Equivalents

The Museum considers cash in checking accounts, certificates of deposit, and money market funds as cash and cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are charged to expense when they become uncollectible. In the opinion of management, all accounts receivable at December 31, 2003 were collectible and an allowance for doubtful accounts was not considered necessary.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value discounted to present value, using risk-free interest rates applicable to the years in which the promises are to be received. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Inventory

Inventory consists of remaining catalogues from the Heart of Spain exhibit to be sold in the future. It is reported at lower of cost or market, on a first-in, first-out basis.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The cost basis of marketable securities is reflected in Note 5. There are no known material unrecorded permanent market value declines in marketable securities.

Property, Plant, and Equipment

Purchased property and equipment is recorded at acquisition cost; donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

Art Collection

In 1977, the Museum elected to capitalize its collection retroactively in conformity with SFAS Statement No. 116. Items purchased are capitalized at their cost; items contributed are capitalized at their fair or appraised value at the accession date.

Deferred Revenues

Revenues from a fundraising campaign have been recorded on the statement of financial position as unearned until such time as the related project for the campaign is started and completed, at which time the revenue will be recorded on the statement of activities.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

Public Support and Revenue

Membership dues and general contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. An allowance for uncollectible promises to give is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Grants and other contributions of cash or other assets are reported as temporarily restricted support if they are received with stipulations that limit the use of the grant or donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. The Museum currently has two endowment funds, the Endowment for Operations which was established with a gift from Mrs. James C. Bolton to provide recurring revenue for general museum operations, and the Collections Endowment which was established with a gift from Mr. & Mrs. Robert H. Bolton to provide support for the art collection. Additional funds for the Endowment for Operations were raised through the Jewel on the Red Campaign. The campaign designated those funds in excess of the cost necessary to construct and furnish the Museum's new facility for the Endowment for Operations. Investment earnings available for use in operations are recorded in unrestricted net assets. Investment earnings dedicated to specific purposes are recorded as temporarily restricted assets until the purpose is fulfilled, at which time they are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

During 2001 the Board adopted a resolution establishing guidelines for the Endowment Fund. The purpose of the fund is to provide financial support for either operating expenses or capital expenses of the Museum.

Realized gains and losses on investments are available for the stated purpose of the endowment, unless restricted by the donor.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Museum qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable Louisiana law. The Museum is not classified as a private foundation.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS

Cash on hand	\$ 200
Interest bearing accounts	<u>580,055</u>
	\$ 580,255

3. ACCOUNTS AND GRANTS RECEIVABLE

Accounts receivable – gift shop sales	\$ 60,990
Accounts receivable – catalogue sales	39,375
Grants receivable	<u>85,125</u>
	\$ 185,490

4. UNCONDITIONAL PROMISES TO GIVE

Receivable due in less than one year	\$ 69,322
Receivable due one to five years	132,932
Receivable due in more than five years	<u>67,668</u>
	\$ 269,922

The receivable due in one year or less includes an unconditional \$25,000 pledge to the Heart of Spain exhibit and \$44,322 from the Charitable Lead Annuity Trust described below.

During 2003 an anonymous donor created a Charitable Lead Annuity Trust naming the Museum as one of the benefactors. The trust is for a period of ten years with the Museum receiving \$30,000 annually. The annuity is restricted to the Museum's operating endowment.

The annual payments due in more than one year are discounted to their present value using rates published by the Pension Benefit Guaranty Corporation. The published rate for December 2003 was four percent (4%). The total unamortized discount as of December 31, 2003 was \$39,401. The unconditional promises due in more than one year represent the future gifts from an irrevocable Charitable Lead Annuity Trust, therefore no provision for uncollectible promises is necessary.

5. INVESTMENTS

Investments consist of stocks and bonds, which are presented in the financial statements at fair value. A summary of investments and investment activities for the eight months ended December 31, 2003 is as follows:

Investments at fair market value	
Government bonds	\$ 695,243
Corporate bonds	638,585
Equities	<u>354,067</u>
	\$ 1,687,895
 Investments at cost	 \$ 1,599,315

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

Earnings on investments were \$55,629 for the eight month period ended December 31, 2003, and accrued interest receivable totaled \$19,960 at December 31, 2003.

A summary of realized and unrealized gains and losses follows:

Realized gains	\$	258
Unrealized gains		<u>31,509</u>
	\$	31,767

6. PROPERTY, PLANT, AND EQUIPMENT

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of December 31, 2003:

	<u>Life</u>	
Land		\$ 276,979
Building and improvements	40 Years	4,427,553
Furniture and equipment	5 - 7 Years	415,229
Vehicles	5 Years	5,600
Website	3 Years	<u>162,500</u>
		5,287,861
Less: Accumulated Depreciation		<u>(890,013)</u>
		\$ 4,397,848

Depreciation expense was \$116,589 for the eight months ended December 31, 2003.

7. NOTE PAYABLE – LINE OF CREDIT

The Museum secured a \$50,000 line of credit with Bank One on March 13, 2003. The initial rate of interest on the note was 6.25%. At December 31, 2003, the rate of interest in effect on this line of credit was 6.00%. The loan is collateralized by all the deposits with Bank One and a first mortgage on Museum real estate.

8. DEFERRED REVENUES

The Museum currently has a fundraising campaign for the sale of commemorative bricks to be laid in the Museum courtyard. The revenues from the campaign have been recognized as deferred until such time as the bricks can be installed. As of December 31, 2003, the Museum has sold 212 bricks.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

9. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31, 2003:

Endowment for collection	\$ 265,764
Endowment for operations	<u>1,971,523</u>
	\$ 2,237,287

10. TEMPORARILY RESTRICTED NET ASSETS

Net assets subject to temporary restrictions were received during the eight month period ended December 31, 2003 as follows:

Art education	\$ 3,600
Grant from the State of Louisiana for Heart of Spain Exhibit	75,000
Grant from the City of Alexandria for Heart of Spain Exhibit	250,000
Grant from the Rapides Foundation for Heart of Spain Exhibit	375,000
Grant from the Library of Congress for Heart of Spain Exhibit	248,375
Grant from the National Endowment for the Arts for Heart of Spain Exhibit	10,000
Other grants, contributions, and revenues for Heart of Spain Exhibit	<u>1,522,389</u>
	\$ 2,484,364

Net assets were released from temporary restrictions during the eight month period ended December 31, 2003 as follows:

Art education	\$ 3,600
Heart of Spain expenditures (including capitalized costs)	<u>3,154,220</u>
	\$ 3,157,820

Temporarily restricted net assets were available for the following purposes as of December 31, 2003:

Accession of art	\$ 5,417
Available for catalog	<u>7,000</u>
	\$ 12,417

11. CONTRIBUTED SERVICES AND PROPERTY

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Museum's programs. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Donated property, when received, is reflected as a contribution in the accompanying statements at its estimated fair market values. The value of donated fundraising items is not recorded as contributions because there is not a fair basis for valuing them.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

The Museum received donated art with a fair value of \$4,368 during the eight months ended December 31, 2003.

The Museum also received donated rental facilities and donated security services for the Heart of Spain exhibit valued at \$72,000 and \$200,000, respectively.

12. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Museum to credit risk include investments in securities, mutual funds, and bonds. Future changes in economic conditions may make the investments less valuable.

As of December 31, 2003, the Museum had demand deposits with one financial institution exceeding the FDIC deposit insurance by \$319,166.

13. LEASES

The Museum, during the first four months of 2003, acquired office equipment under an operating lease. The term of the lease is for sixty months with a fair market purchase option at the end of the lease. Total rent paid during the current period was \$1,358, consisting solely of minimum rental payments.

Minimum future annual lease payments are as follows:

<u>Years Ending</u>	<u>Amount</u>
2004	\$ 2,037
2005	2,037
2006	2,037
2007	2,037
2008	509

14. RELATED PARTY TRANSACTIONS

During the current period, the Museum conducted business with members of its Board of Trustees. The transactions included the purchase of computer hardware and services for \$13,451 from a company in which a trustee owns a financial interest and the payment of consulting fees of \$49,660 to the spouse of a trustee. In addition several board members are officers of banks with which the Museum has financial arrangements for demand deposits, investments, and loans.

**ALEXANDRIA MUSEUM OF ART
DECEMBER 31, 2003**

NOTES TO FINANCIAL STATEMENTS

15. SUBSEQUENT EVENTS

On January 27, 2004, the Museum established a \$690,000 operating line of credit at a local banking institution. As of the date of this audit, the outstanding balance due on this line of credit was \$690,000 at an annual interest rate of 4.00%. The debt is secured by the Hibernia operating endowment account and is scheduled to mature on January 27, 2005.

16. CHANGE IN ACCOUNTING PERIOD

The Museum has elected to change its accounting period from a year-end of April 1st to a calendar year-end of December 31st. The result is, for this first period, an eight-month accounting period ending December 31, 2003.

ADDITIONAL INFORMATION

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF ADMINISTRATION EXPENSES
EIGHT MONTHS ENDED DECEMBER 31, 2003**

SCHEDULE 1

Auto expense	\$	24
Bank charges		16,311
Computer and equipment maintenance		1,562
Depreciation		87,171
Dues		1,707
Equipment rental		1,077
Insurance		16,436
Interest		1,545
Laundry		251
Miscellaneous		996
Office supplies		627
Payroll taxes and benefits		9,739
Postage and freight		215
Printing		491
Professional fees		8,508
Repairs and maintenance		9,572
Security		204
Telephone		539
Travel and entertainment		4,266
Utilities		5,839
Wages		56,418
		<hr/>
<u>TOTAL</u>	\$	<u>223,498</u>

See independent auditor's report.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF HEART OF SPAIN EXHIBIT ACTIVITIES**

SCHEDULE 2

	Eight Months Ended December 31, 2003	Exhibit Total
REVENUES AND OTHER SUPPORT		
Contributions	\$ 313,203	\$ 480,594
Donated facility rental	72,000	72,000
Donated security services	200,000	200,000
Grants	958,375	2,025,875
Interest	605	879
Ticket sales	995,043	995,119
Adopt a School	58,614	58,614
Event rentals	17,872	17,872
Catalogue sales	70,441	70,441
Gift shop sales	63,234	63,234
Total Revenues and Other Support	2,749,387	3,984,628
EXPENSES		
Art restoration	169,495	169,495
Building maintenance	5,111	5,111
Catalogue expense	76,564	76,564
Computer expense	13,064	13,064
Consultant expense	5,942	8,037
Contract labor	272,000	359,140
Depreciation	29,418	29,418
Donated facility rental	72,000	72,000
Donated security services	200,000	200,000
Equipment rental	146,805	146,805
Exhibit design	48,576	48,576
Gala expense	98,514	98,514
Gallery preparation	12,490	12,490
Graphic and printing	43,412	73,857
Insurance	144,144	144,144
Janitorial	20,547	20,547
Marketing	401,970	401,970
Meals and entertainment	12,789	12,789
Meeting expense	4,906	13,940
Miscellaneous	33,052	33,634
Office supplies	15,024	20,830
Outside tent	47,866	47,866
Payroll taxes	468	1,734
Postage and shipping	652,111	654,273
Private events	17,697	17,697
Professional fees	2,662	291,198
Salaries	9,360	25,913
School transportation	4,132	4,132
Security system	812	812
Spain curatorial	900	900
Telephone	13,178	15,480
Travel	47,169	70,636
Utilities	45,626	45,626
Website		100,000
Total Expenses	2,667,804	3,237,192
<u>EXCESS OF REVENUES AND OTHER SUPPORT OVER EXPENSES</u>	\$ 81,583	\$ 747,436

See independent auditor's report.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

SCHEDULE 3

<u>Federal grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Housing and Urban Development Pass-through program from: Louisiana Department of Culture, Recreation and Tourism Community Development Block Grants- Brownsfields Economic Development Initiative	14.246		\$ 328,188
Library of Congress Website and Curriculum for Heart of Spain Art exhibit	42		248,375
National Endowment for the Arts Promotion of the Arts- Grants to Organizations and Individuals	45.024		<u>10,000</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 586,563</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Alexandria Museum of Art and is presented on the accrual basis of accounting.

NOTE 2 - SUBRECIPIENTS

No subrecipients were provided federal awards during the eight month period ended December 31, 2003.

See independent auditor's report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Alexandria Museum of Art

We have audited the financial statements of the Alexandria Museum of Art (a nonprofit organization) as of and for the eight months ended December 31, 2003, and have issued our report thereon dated June 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Alexandria Museum of Art's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Alexandria Museum of Art's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Alexandria Museum of Art's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 03-01 through 03-13.

MARVIN A. JONEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. OVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JONEAU, C.P.A.
JAMES N. BALLARD, C.P.A.
L. PAUL HODD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
Alexandria Museum of Art

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 03-01 through 03-08 to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, others within the organization and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

June 24, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Alexandria Museum of Art

Compliance

We have audited the compliance of the Alexandria Museum of Art with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the eight months ended December 31, 2003. The Alexandria Museum of Art's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Alexandria Museum of Art's management. Our responsibility is to express an opinion on the Alexandria Museum of Art's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States, and the OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alexandria Museum of Art's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Alexandria Museum of Art's compliance with those requirements.

As described in finding 03-14 in the accompanying schedule of findings and questioned costs, the Alexandria Museum of Art did not comply with requirements regarding Procurement, Suspension, and Debarment that are applicable to its U.S. Department of Housing and Urban Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the Alexandria Museum of Art to comply with requirements applicable to that program.

MARVIN A. JUNEAU, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
Alexandria Museum of Art

In our opinion, except for the noncompliance described in the preceding paragraph, the Alexandria Museum of Art complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the eight months ended December 31, 2003.

Internal Control Over Compliance

The management of the Alexandria Museum of Art is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Alexandria Museum of Art's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Alexandria Museum of Art's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 03-01, 03-06, 03-07, and 03-11.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider findings 03-01, 03-06, and 03-07 to be material weaknesses.



PAYNE, MOORE & HERRINGTON, LLP

Board of Trustees
Alexandria Museum of Art

This report is intended solely for the information and use of the finance committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

June 24, 2004

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? X yes no

Reportable conditions identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Management's Corrective Action Plan Attached

Management's Summary Schedule of Prior Audit Findings Attached

Federal Awards

Internal control over major programs:

Material weaknesses identified? X yes no

Reportable conditions identified that are not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 X yes no

Identification of major program:

CFDA Number
14.246

Name of Federal Program
HUD – Pass through State of Louisiana

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

PART II - FINANCIAL STATEMENT AUDIT - FINDINGS

MATERIAL WEAKNESSES:

FINDING 03-01 CASH DISBURSEMENTS

Criteria: All cash disbursements should be supported by documented approval and cancellation.

Condition: As part of our test of cash disbursements, we examined all related supporting documentation for 40 randomly selected disbursements. Of the 40 examined, 29 invoices showed no evidence of approval for payment and were not cancelled as paid. In addition to these, 7 other invoices included a bill payment form with proper invoice review and payment authorization, but the invoices had not been cancelled as paid. Such invoices are susceptible to unintentional duplicate payment or intentional misuse for dishonest purposes.

Cause: This condition was a result of not following established procedures for making all cash disbursements.

Recommendation: We recommend the Museum personnel follow established procedures of documenting the approval and cancellation of all paid invoices. These procedures add very little time to the bill-paying process and serve as a reminder to the bill processor of steps to be performed, an indication to the check signer that those steps were done, and prevention against misuse or repayment of the invoice.

Management's response: See Management's Corrective Action Plan.

FINDING 03-02 BANK DEPOSITS

Criteria: All deposits should be accurately completed and made on a daily basis.

Condition: In examining deposits and related bank statements, we found that on 14 occasions from 9/11/03 through 11/28/03 the deposits were incorrectly calculated on the deposit slips. The bank made adjustments to these deposits and notified the Museum of the adjustments. For all but one of these instances, it appears the adjustments were merely addition errors made by Museum personnel on the deposit slips. However, one deposit slip indicated \$810 of currency to be deposited, but this cash was not part of the deposited funds when it was brought to the bank on 9/11/03. In addition, one other deposit was substantially more than the total of the receipt detail records for that date maintained by Museum personnel.

During the months of October 2003 and November 2003, which was the busiest time of the Heart of Spain revenue collections, deposits were seldom made daily, and on several occasions there were up to 7 days lapse between deposits. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

Cause: This condition was a result of not following established procedures for making deposits.

Recommendation: We recommend that all bank deposits be prepared daily and taken to the bank by personnel authorized to perform such duties, and that these deposits be carefully prepared and reviewed for accuracy, including comparing the deposit slip with all supporting documentation.

Management's response: See Management's Corrective Action Plan.

FINDING 03-03 NON-CASH DONATIONS

Criteria: All non-cash donations should be timely recorded at fair market value on the date of the contribution.

Condition: During our audit, it was found that donations of certain non-cash assets had not been recorded in the general ledger. These donations included 132 shares of AG Edwards stock and a piano. It appears the piano was received in a previous period.

Cause: This condition was a result of not following established procedures for recording non-cash donations.

Recommendation: We recommend that all non-cash donations be timely recorded at their fair market value on the date of the contribution.

Management's response: See Management's Corrective Action Plan.

FINDING 03-04 PERMANENT ART COLLECTION

Criteria: The Museum's permanent art collection should be safely and securely stored, and should be supported by orderly detailed records.

Condition: As part of examining the physical existence of the Museum's permanent art collection, it was found that there are some significant deficiencies in the recording and storage of the collection. The collection is not stored in any logical order that would reconcile easily with the detailed records of the art pieces. Also, the detailed records did not indicate any specific location to find the individual pieces. Although some of the art is hanging on storage screens, many pieces are just laying on the floor, against the walls, or on top of file cabinets. The curator indicated in his annual report to the Board, the need to purchase at least 10 additional storage screens so that the entire permanent collection could be hung and stored securely and orderly. As of the conclusion of our audit, these screens had not yet been acquired. It was also noted that several of the art pieces were either incorrectly identified or not labeled at all for identification. Finally, several pieces were found to be damaged.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

Cause: This condition was a result of not following established procedures for recording and storing the permanent art collection.

Recommendation: We recommend that, in order for the permanent collection to be protected from theft, misplacement, and/or damage, all pieces should be securely stored and identified in an orderly manner in order to easily reconcile with detail records.

Management's response: See Management's Corrective Action Plan.

FINDING 03-05 UNRECORDED ACCOUNT ACTIVITY

Criteria: All financial activity of the Museum should be timely and accurately recorded in the general ledger.

Condition: It was found that the Museum has a bank account at a local banking institution which had been set up for the activity from the Heart of Spain fundraising gala. None of the activity from this account was recorded in the general ledger. The activity included \$112,787 in contributions and \$98,514 in expenses, leaving a remaining balance at December 31, 2003 of \$14,273. Per discussions with Museum personnel, a committee was established by the Board to handle the activity from this account. As a result, the activity was never recorded in the general ledger.

Cause: This condition was a result of not following established procedures for recording financial activity.

Recommendation: We recommend that all financial activity falling under the jurisdiction of the Museum be timely and accurately recorded in the general ledger.

Management's response: See Management's Corrective Action Plan.

FINDING 03-06 FINANCIAL RECORDS

Criteria: The Museum's financial records should be as complete and accurate as possible, and should be reviewed by Museum personnel on a regular basis to ensure they are complete and accurate.

Condition: As part of our audit planning procedures performed at the beginning of our audit, we noted the following difficulties with the Museum's financial records:

- a. The detailed trial balance had no beginning of the period balances for the asset, liability, and net asset accounts.
- b. The balances on the statement of activities prepared by the Museum did not agree with the ending balances on the detailed trial balance. The balances on the statement of activities included prior period amounts.

Upon discussing these difficulties with the office personnel, it was revealed that there have been numerous problems with the accounting software used by the Museum.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

Cause: This condition appears to be a result of problems experienced in the implementation of the Museum's accounting software.

Recommendation: We recommend that the Museum either resolve current problems with their accounting software, or consider replacing it with a more suitable program.

Management's response: See Management's Corrective Action Plan.

FINDING 03-07 BANK ACCOUNT RECONCILIATIONS

Criteria: Museum personnel should completely and accurately reconcile all bank accounts on a monthly basis.

Condition: As part of our examining bank account reconciliations prepared by Museum office personnel, we found that the December 2003 reconciled balances did not agree with the general ledger balances for two bank accounts. The differences included checks listed as outstanding which had actually cleared, checks listed as outstanding which had actually been voided, and checks written prior to year-end but not included as part of the reconciliation.

Cause: This condition was a result of having inexperienced personnel preparing the bank account reconciliations.

Recommendation: We recommend that all bank accounts be accurately reconciled each month to the balance in the general ledger, with any differences being thoroughly investigated, resolved, and documented.

Management's response: See Management's Corrective Action Plan.

FINDING 03-08 HEART OF SPAIN VOUCHERS

Criteria: All vouchers and tickets used for the Heart of Spain Exhibit should be controlled and accounted for to prevent theft, loss, or misuse.

Condition: Based on discussions with Museum personnel and examination of related documentation, it was found that there were significant deficiencies in controls over the safekeeping, selling, and accounting for the vouchers used to buy tickets for the Heart of Spain Exhibit. The vouchers were not pre-numbered so there was no way to verify the number of vouchers sold or issued. Museum personnel did initially make attempts to manually sequentially number the vouchers, but as time went on this practice was discontinued. Also, it was believed by some Museum personnel that attendees to the exhibit were being admitted with vouchers only, without having used their voucher to acquire a ticket; and that the same vouchers were being sold, issued, and used more than once. Finally, vouchers were being sold and issued by many different people, rather than being under the control of one or two individuals charged with their safekeeping.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

Cause: This condition was a result of having weak controls over the safekeeping, selling, and accounting for vouchers.

Recommendation: We recommend that strict controls be created and implemented over the selling and issuing of all types of documents used for admittance to Museum exhibits, as this is a major source of Museum revenue.

Management's response: See Management's Corrective Action Plan.

REPORTABLE CONDITIONS:

FINDING 03-09 SEGREGATION OF DUTIES

Criteria: Due to the small number of Museum office personnel, the Board of Trustees should play an active role in the timely review of all financial activity and records.

Condition: Segregation of conflicting duties within accounting functions is a basic internal control. Because the Museum has a small and inexperienced accounting staff, segregation of all conflicting duties may not always be possible. However, we believe that certain steps can be taken to overcome the lack of segregation of duties.

During our audit, we noted that a contracted Heart of Spain worker who prepared the ticket sales receipt detail also completed the deposit slip and took the deposit to the bank. We also noted several instances where journal entries were made incorrectly due to a lack of accounting experience on the part of the Museum office personnel.

Cause: This condition is a consequence of the small number of Museum office personnel.

Recommendation: We recommend that the Board of Trustees, as well as the Executive Committee, play an active role in the monthly detailed review of the financial report and supporting records, especially considering the inexperience of the staff in accounting matters.

Management's response: See Management's Corrective Action Plan.

FINDING 03-10 MINUTES

Criteria: Detailed minutes should be recorded and approved for all meetings of the Museum's Board of Trustees and Executive Committee.

Condition: During our audit, we noted that no detailed minutes were prepared and approved for Board of Trustees meeting on 11/4/03 and 12/17/03. There were handwritten notes prepared that appeared to be a detailed agenda for these two meetings, but no formal minutes were prepared.

Cause: This condition was a result of not following established procedures for timely recording and approving minutes of all Board of Trustees' and Executive Committee meetings.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

Recommendation: We recommend that detailed minutes be prepared for all meetings held by the Board of Directors and the Executive Committee. These minutes should be reviewed and approved at the subsequent meeting, and should be maintained for future reference. These minutes are not only an invaluable source of information, but are also used to protect the members of the Board.

Management's response: See Management's Corrective Action Plan.

FINDING 03-11 CASH DISBURSEMENTS

Criteria: All financial activity of the Museum should be posted and closed out on a monthly basis.

Condition: During our audit, we noted that all June 2003 checks were dated 5/30/03 in the accounting system. According to accounting personnel, both periods of April 2003 and May 2003 were not closed out in the computer accounting program. The program would not allow more than two periods to remain open; therefore, the system date would not go beyond 5/31/03.

Cause: This condition was a result of not following established procedures for posting and closing out all financial activity on a monthly basis.

Recommendation: We recommend that the Museum close out its financial activity monthly. This would prevent the problem described above as well as help ensure the board is receiving timely, complete, and accurate financial information at its regular board meetings.

Management's response: See Management's Corrective Action Plan.

FINDING 03-12 AUTHORIZED SIGNATURES

Criteria: All bank account signature cards should include only personnel currently authorized by the Board of Trustees to sign on the bank accounts.

Condition: Bank account signature cards, examined by us as part of our audit procedures, included several signatures of individuals no longer employed or associated with the Museum.

Cause: This condition was a result of not updating bank account signature cards for changes in the officers, personnel, and/or the Board of Trustees.

Recommendation: We recommend that all bank account signature cards be timely updated any time authorized signers are changed or removed.

Management's response: See Management's Corrective Action Plan.

**ALEXANDRIA MUSEUM OF ART
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

FINDING 03-13 VACATION AND SICK LEAVE

Criteria: Employee vacation and sick leave records should be timely and accurately maintained to reflect all time earned and used.

Condition: We noted that, although there is a documented vacation and sick leave policy, no one is maintaining detailed records of earned and used vacation and sick leave by full-time employees. The payroll module in the Museum's accounting software has the capability to track these employee benefits.

Cause: This condition is a result of not following established procedures for maintaining detailed records of employee vacation and sick leave earned and used.

Recommendation: We recommend the Museum implement the related accounting software to track employee vacation and sick leave on a detailed and timely basis.

Management's response: See Management's Corrective Action Plan.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 03-14 CONTRACTOR ELIGIBILITY

Criteria: Prior to issuing a contract to a vendor for more than \$100,000 (\$25,000 after 11/26/03) the grantee should obtain certification from the contractor that they have not been suspended or debarred from participating in a federal awards program.

Condition: The Museum has entered into contracts without verifying that the contractor has not been suspended or debarred from participating in a federal awards program.

Cause: This condition was a result of not following established procedures for verifying eligibility of contractors.

Recommendation: We recommend management become familiar with the applicable OMB Circulars and other laws, regulations, and contract and grant provisions.

Management's response: See Management's Corrective Action Plan.

ALSO SEE FINDINGS 03-01, 03-06, 03-07, AND 03-11.

**ALEXANDRIA MUSEUM OF ART
MANAGEMENT'S CORRECTIVE ACTION PLAN
EIGHT MONTHS ENDED DECEMBER 31, 2003**

The Alexandria Museum of Art respectfully submits the following corrective action plan for the eight month period ended December 31, 2003.

Independent Public Accounting Firm:

Payne, Moore & Herrington, LLP
P.O. Box 13200
Alexandria, LA 71315-3200

Auditee Contact Person:

Ms. Frances Morrow
Executive Director
Alexandria Museum of Art
933 Main Street
Alexandria, LA 71301

Audit Period: May 1, 2003 through December 31, 2003

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

FINDING 03-01

Condition: Cash Disbursements – lack of approval and cancellation

Management's Response: More concentrated efforts will be made to ensure all disbursements will be supported by documented approval for payment, and all supporting documentation will be adequately cancelled after being paid.

FINDING 03-02

Condition: Bank Deposits – inaccurate and not timely

Management's Response: From now on deposits will be made on a daily basis, and will be reviewed for completeness and accuracy.

FINDING 03-03

Condition: Non-Cash Donations – not timely recorded

Management's Response: All non-cash donations will be timely recorded at their fair market value on the date of the contribution.

FINDING 03-04

Condition: Permanent Art Collection – deficiencies in recording and storage

Management's Response: As soon as possible, the permanent art collection will be organized and identified in an orderly manner in order to easily reconcile with detail records.

**ALEXANDRIA MUSEUM OF ART
MANAGEMENT'S CORRECTIVE ACTION PLAN
EIGHT MONTHS ENDED DECEMBER 31, 2003**

FINDING 03-05

Condition: Unrecorded Account Activity – respective to bank account set up for fundraising gala

Management's Response: The activity from this bank account along with all other financial activity will be timely and accurately recorded in the general ledger.

FINDING 03-06

Condition: Financial Records – accounting software problems

Management's Response: We are in the process of evaluating our existing accounting software, so we can either resolve current problems with the software or replace it with a more suitable program.

FINDING 03-07

Condition: Bank Account Reconciliations – not accurately prepared

Management's Response: Museum personnel are becoming more experienced in performing such accounting functions as bank reconciliations. Also, the Board of Trustees will be taking a more active role in reviewing the monthly bank account reconciliations.

FINDING 03-08

Condition: Heart of Spain Vouchers – control deficiencies

Management's Response: Future exhibits will be held with stricter controls implemented over the selling and issuing of all types of documents used for admittance to the exhibits.

FINDING 03-09

Condition: Segregation of Duties – lack of

Management's Response: The Board of Trustees will play a more active role in the monthly detailed review of the financial report and supporting records.

FINDING 03-10

Condition: Minutes – occasionally not prepared

Management's Response: Formal written minutes will be prepared for every meeting held by the Board of Trustees, as well as the Executive Committee, and will be approved at the subsequent meeting.

**ALEXANDRIA MUSEUM OF ART
MANAGEMENT'S CORRECTIVE ACTION PLAN
EIGHT MONTHS ENDED DECEMBER 31, 2003**

FINDING 03-11

Condition: Cash Disbursements – checks dated incorrectly

Management's Response: All financial activity of the Museum will be closed out on a monthly basis.

FINDING 03-12

Condition: Authorized Signatures – not properly updated

Management's Response: A more concentrated effort will be made to ensure that all bank account signature cards will be timely and accurately updated as needed.

FINDING 03-13

Condition. Vacation and Sick Leave – no detailed records maintained

Management's Response: The accounting software will be used to track employee vacation and sick leave on a detailed and timely basis.

FINDING 03-14

Condition. Contractor Eligibility – verifying eligibility not being done

Management's Response: The Museum's management will become familiar with the applicable OMB Circulars and other laws, regulations, and contract and grant provisions, which include verifying that all contractors have not been suspended or debarred from participating in a federal awards program.

**ALEXANDRIA MUSEUM OF ART
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

FINDING FS03-01 – CASH DISBURSEMENTS

Condition: There were several instances where cash disbursement approval and signature policies were not followed.

Current Status: Unresolved. See Finding 03-01

FINDING FS03-02 – ART COLLECTION

Condition: Inadequate storage and record-keeping of the permanent art collection.

Current Status: Unresolved. See Finding 03-04

FINDING FS03-03 – LATE SUBMISSION OF REPORT TO LEGISLATIVE AUDITOR

Condition: The Museum did not file their report until after the six month period.

Current Status: Resolved

FINDING SA03-01 – SAME AS FINDING FS03-01

FINDING SA03-02 – CONTROLS REQUIRED FOR FEDERAL AWARDS

Condition: Specific controls were not established for all applicable compliance types required for federal awards.

Current Status: Resolved

FINDING SA03-03 – ALLOWABLE COSTS OF FEDERAL AWARDS

Condition: Federal award funds were used outside the scope of the grant until such time as matching funds could be raised to cover the expenditures.

Current Status: Resolved

**ALEXANDRIA MUSEUM OF ART
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
EIGHT MONTHS ENDED DECEMBER 31, 2003**

FINDING SA03-04 – CERTIFICATE OF ELIGIBILITY

Condition: The Museum entered into a contract without getting a certificate of eligibility from the contractor.

Current Status: Unresolved. See Finding 03-14.