
HISTORICAL PRESERVATION AND
HERITAGE COMMISSION

Performance Audit

November 2001

Ernest A. Almonte, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations
General Assembly
Office of the Auditor General



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STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

November 2, 2001

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER John B. Harwood

Senator William V. Irons
Senator Dennis L. Algiere
Representative Gerard M. Martineau
Representative Robert A. Watson

We have completed a performance audit of the Historical Preservation and Heritage Commission. Our report is included herein as outlined in the Table of Contents.

Sincerely,

Ernest A. Almonte, CPA, CFE
Auditor General

HISTORICAL PRESERVATION AND HERITAGE COMMISSION

PERFORMANCE AUDIT

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PERFORMANCE AUDIT

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EXECUTIVE SUMMARY

Rhode Island Historical Preservation and Heritage Commission
Performance Audit

One of the Commission's main responsibilities is the preservation of historic property. One tool that the Commission uses to preserve the integrity of *privately-owned* historic properties is the execution of historic preservation easements with property owners. Historic preservation easements restrict owners from demolishing historic property, and require the Commission's review and approval for any alterations. While easements can be effective in ensuring the preservation of historic properties, they possess inherent limitations. Term easements expire after a defined period with no mechanism for renewal. Perpetuity easements are lasting but difficult to acquire because of tax and estate planning considerations, and may require substantial cash payments by the owner. Consequently, the Commission needs to explore other innovative strategies to preserve privately-owned historic properties.

The Commission administers the *Historic Preservation Easement Fund*, which contains fees generated from donated easements. The Commission's informal policy is to use interest income generated from the fund to defray staff operating costs related to administering the easement program. However, operating expenses charged to the fund have exceeded interest income by an average of \$41,834 over the past two fiscal years, which indicates the informal policy has not been followed recently. Continuation of this trend will result in depletion of the fund in approximately seven years.

The Commission also administers the *Historic Preservation Revolving Fund*, which makes loans to nonprofit organizations, individuals, and municipalities so that properties worthy of preservation can be acquired and restored. The Commission does not routinely conduct credit checks or verify financial information provided by borrowers because it lacks the resources to perform such activities. The Commission also waived the requirement for a title search on a \$15,000 loan because it believed its risk to be minimal. However, determining the creditworthiness of borrowers and conducting title searches protect the assets of the fund and should be accomplished. The Commission should consider utilizing the services of a financial institution to underwrite loans and collect payments.

During fiscal years 2000 and 2001, the Commission provided various legislative grants, survey and planning grants, and special appropriations to Heritage Harbor, Inc. The executive director of the Commission sits on the board of directors of Heritage Harbor, which gives rise to at least the appearance of a conflict of interest. This should be resolved through an advisory opinion from the Ethics Commission.

Other recommendations address such issues as grant administration, cataloging state-owned historic buildings and objects, storage of artifacts, and improving the information technology capabilities of the Commission.

II. INTRODUCTION

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted a performance audit of the Rhode Island Historical Preservation and Heritage Commission, an agency within the Executive Department, in accordance with *Government Auditing Standards*. The purpose of our audit was to determine whether the Commission was operating efficiently and effectively, and in compliance with applicable laws and regulations. The period covered by our audit was primarily the fiscal year ended June 30, 2001; where relevant, we extended our audit procedures to preceding fiscal years.

This audit focused on evaluating the practices and procedures employed by the Commission in administering its operations and financial responsibilities. Our objective was to identify practices and procedures that could be improved or made more efficient. To achieve our audit objectives, we reviewed relevant policies and procedures, interviewed responsible personnel, observed key operations, and performed tests and other audit procedures as considered necessary in the circumstances.

BACKGROUND

The Rhode Island Historical Preservation Commission (“Commission”) was established in 1968 by Chapter 42-45 of the Rhode Island General Laws. On July 1, 1994, as a result of 1994 Public Law Chapter 70, the former Heritage Commission was merged with the Historic Preservation Commission to form one entity. The Commission receives federal funding from the Department of the Interior’s National Park Service. Many of its activities are mandated by the National Historic Preservation Act of 1966.

The Commission administers Rhode Island’s only statewide historic preservation program, which includes responsibility for performing the following functions:

- ❑ identifying and protecting historic buildings, districts, and archaeological sites;
- ❑ conducting statewide surveys of historic sites and buildings;
- ❑ obtaining historical preservation easements;
- ❑ accepting, researching, and processing nominations of significant properties to both the National Register of Historic Places and the State Register;
- ❑ operating several financial assistance programs, including grants, loans, and tax credits;
- ❑ reviewing federal, State, and local projects that affect historic properties;

- ❑ regulating archaeological sites located on State land and under State territorial waters;
- ❑ assisting local governments, preservation societies, and private property owners in their preservation efforts;
- ❑ providing professional advice to other State agencies about their historic buildings;
- ❑ coordinating and sponsoring programs that document, support, and celebrate Rhode Island's cultural heritage; and
- ❑ managing and collecting rental fees for the use of the Eisenhower House, a State-owned historic facility at Fort Adams in Newport that can be leased for private functions such as weddings and receptions.

The Commission is an 18-member board comprised of the following individuals:

- ❑ Ten public members are appointed by the Governor, six of whom must possess specific professional credentials;
- ❑ Five members, the director of the Economic Development Corporation, the director of the Department of Environmental Management, the associate director of Administration for Planning, the State Building Commissioner, and the State Historic Preservation Officer, serve in an ex-officio capacity;
- ❑ One member is the Chairperson of the House Finance Committee;
- ❑ One member is the Chairperson of the Senate Finance Committee; and
- ❑ One member is elected by the Heritage Subcommittee.

The Commission's office is located at the Old State House in Providence. As of June 30, 2001, the Commission employed 17 full-time employees and one part-time employee. (An organization chart is included on page 5.) Per Section 42-45-8 of the General Laws, the Commission's Board appoints an executive director who oversees operations.

A summary of the Commission's fiscal 2001 financial activity follows on the next page which includes the status at June 30, 2001 of various restricted receipt accounts.

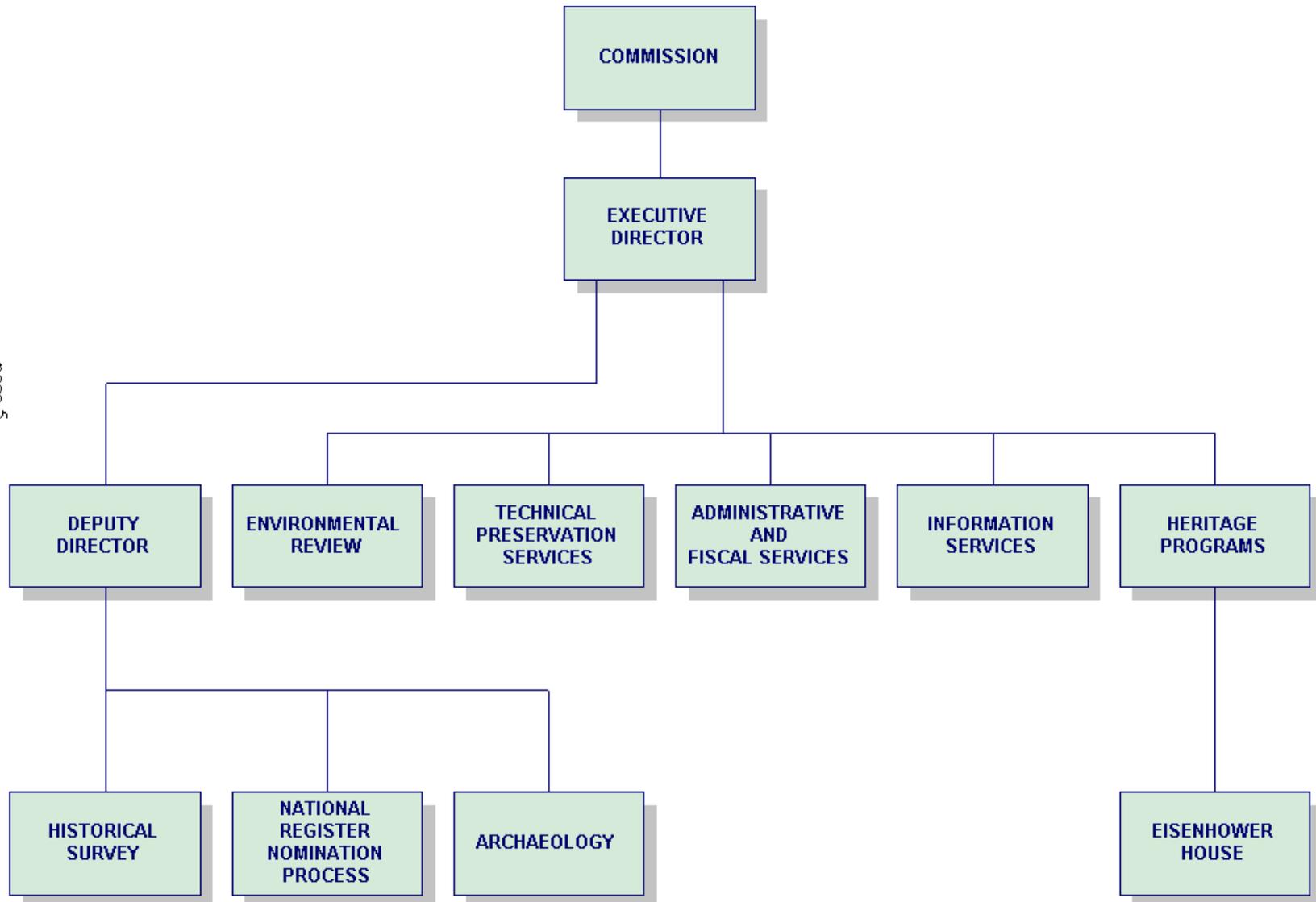
HISTORICAL PRESERVATION AND HERITAGE COMMISSION

Financial Summary – Fiscal 2001

	Restricted receipts				
	General	Survey and Planning	Easement fund	Revolving fund - principal	Revolving fund – interest
State appropriations:	\$1,058,537				
Federal grants:					
Funds carried forward from prior year	102,877				
Federal receipts current year	604,606				
Total federal awards available	707,483				
Restricted receipts:					
Funds carried forward from prior year		\$ 12,603	\$ 259,608	\$ 602,063	\$ 8,121
Restricted receipts current year		7,849	21,263	61,367	39,416
Total restricted receipts available		20,452	280,871	663,430	47,537
Total funds available:	\$1,766,020	\$ 20,452	\$ 280,871	\$ 663,430	\$ 47,537
Less expenditures:					
Personnel	\$ 848,635	\$	\$ 75,294	\$	\$ 37,420
Grants	512,512				
Other operating	103,028	6,915	314		
Eisenhower House capital improvements	147,900				
Total expenditures	1,612,075	6,915	75,608		37,420
Less appropriations lapsed:	417				
Funds available June 30, 2001:					
State appropriations					
Federal grants	\$ 153,528				
Restricted		\$ 13,537	\$ 205,263	\$ 663,430	\$ 10,117
Total funds available – June 30, 2001	\$ 153,528	\$ 13,537	\$ 205,263	\$ 663,430	\$ 10,117

Historical Preservation and Heritage Commission

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III. FINDINGS AND RECOMMENDATIONS

PRESERVATION OF PRIVATELY-OWNED HISTORIC PROPERTIES

Overview

One of the Commission's main responsibilities is the preservation of historic property. Per State law, the Commission's review and advice is required for any *publicly-funded or licensed* projects that may have an adverse impact on the historical integrity of properties listed in the National Register of Historic Places. Additionally, the Commission must also review any proposed alterations or changes to State-owned historic property. However, *privately-owned* National Register properties can be altered or demolished without seeking the Commission's review and advice, so long as no public funds or government regulatory processes are involved.

One tool that the Commission uses to preserve the integrity of privately-owned historic properties is the execution of historical preservation easements with property owners. Historic preservation easements restrict owners from demolishing historic property, and require the Commission's review and approval for any alterations. Generally, the exteriors of buildings are subject to Commission review if an easement is in place, but in many instances interior portions of buildings, as well as the surrounding grounds, are also subject to review.

Unlike traditional easements, which are legal agreements that allow one party to make lawful and beneficial use of another party's property, such as granting a right of way or preventing construction near utility service lines, historic preservation easements are legal agreements between the property owner and the easement holder (in this case, the Commission) that give the holder both a partial interest in the property and the right to enforce the terms of the agreement. The two types of historic preservation easements that the Commission obtains from owners are *term easements*, which have a limited duration, and *perpetuity easements*, which remain in effect as long as the property continues to exist (e.g., a perpetuity easement would not be enforceable if a property were destroyed by fire).

While easements are very effective tools in ensuring the preservation of historic properties, they possess inherent limitations. Term easements expire after a defined period of time with no mechanism for renewal, thereby leaving the historic property vulnerable. A perpetuity easement is lasting but difficult to acquire because it often involves tax and estate planning considerations and, at times, a substantial cash payment by the owner. No perpetuity easements have been granted to the Commission in the last twelve years. The end result is that the Commission could find itself unable to prevent the deterioration, alteration, or even loss, of many privately-owned properties with irreplaceable historic significance. Consequently, the Commission needs to explore other innovative strategies to preserve privately-owned historic properties.

IRS Perpetuity Easements

Perpetuity easements have been acquired by the Commission in various ways, including as a result of State projects, federal grants, and Commission loans. Fifteen of the 34 perpetuity easements held by the Commission have been classified as *Federal Internal Revenue Service* (“IRS”) perpetuity easements because they were donated by private owners as charitable contributions and met IRS eligibility requirements for tax purposes. Depending on their individual circumstances, donors can realize various federal income, estate, and gift tax benefits based upon the value of the donated easement. The value is determined by calculating the difference between the appraised fair market value of the property before conveyance of the easement and its value with the easement restrictions in place.

Unless more donated IRS perpetuity easements are received, one of the Commission’s most important functions--ensuring that the historic character of properties is preserved--may be jeopardized. We noted that the last IRS perpetuity easement was donated in May 1989. The executive director informed us that a number of factors were responsible for the lack of donated easements during the past twelve years, as follows:

- Many owners opted to sell excess land for subdivisions rather than donate easements, because the financial gain realized by selling property for development purposes is much greater than the tax advantages derived from donating an easement.
- The State’s Farmland Preservation program was successful in preserving farmlands from development; however, this success reduced opportunities for the Commission to receive donated easements from farmers.
- The City of Providence adopted a more restrictive permitting process for downtown development in the early 1990’s that prohibited many of the same activities restricted by historic preservation easements.
- The Commission had other projects in recent years that took precedence, so the donated easement program was not emphasized.

Greater emphasis needs to be placed on promoting the benefits of IRS perpetuity easements to potential donors. These easements are advantageous from a financial resources standpoint because they can be obtained without having to provide monetary assistance (i.e., loans or grants), and also from an historical preservation standpoint because they do not expire unless the property ceases to exist.

We noted that the Commission’s web site presently devotes only one short paragraph to the donated easement program, with no links to other web sites offering greater detail about the potential benefits to donors. The Commission should also consider an outreach effort that would provide information to estate planners and tax advisors about the availability and advantages of this program. Lastly, a greater effort should be made to encourage owners who participate in the revolving loan fund and tax credit programs to donate perpetuity easements to the Commission.

RECOMMENDATION

1. Conduct an aggressive marketing and outreach campaign to encourage owners of privately-owned historic properties to donate IRS perpetuity easements.

Auditee Views:

Management concurs with this recommendation.

Term Easements

Term easements are a condition of every loan that the Commission makes from its revolving loan fund, with term length determined by the dollar amount of the loan. Federal Acquisition and Development grants that the Commission awarded for restoration projects were another source for term easements. The Commission obtained term easements from owners as a condition of receiving these grants; however, the executive director informed us that this source of funding is no longer available.

Based upon the Commission's records, we determined that 38 of the 43 term easements presently held by the Commission will expire within the next seven years. The executive director, in response to our inquiries, stated that a lack of funding prevents the Commission from renewing term easements that are set to expire and from acquiring new ones. The only program directly administered by the Commission that generates new term easements is the revolving loan fund; however, only two loans have been approved during the past three fiscal years.

The effect of this situation is that many privately-owned historic properties currently protected by term easements will soon have no restrictions against alteration or demolition, unless a mechanism can be found to renew them. Additionally, the lack of revolving loan fund activity has resulted in few new term easements being generated in recent years.

Even if the Commission is able to secure additional funding to address this problem, the fact remains that term easements are, at best, a temporary protection for historic properties because these instruments eventually expire. The Commission needs to determine whether other innovative strategies exist for preserving privately-owned historic properties on a permanent basis.

RECOMMENDATION

2. Determine whether other innovative strategies exist for preserving privately-owned historic properties.

Auditee Views:

Management concurs with this recommendation.

Historic Preservation Easement Fund

Section 42-45-9.1 of the Rhode Island General Laws, enacted in 1983, established an Historic Preservation Easement Fund for the purpose of accepting application and endowment fees generated from donated IRS easements. The statute states that the fees shall be used to pay the costs of “operating and maintaining” the easements.

State accounting records indicate that, during fiscal 2001, the Easement Fund earned a total of \$21,263 in interest income, and the Commission charged a total of \$75,608 in operating expenditures. However, our review of employee time sheets and other evidence determined that just \$13,528 in operating expenditures was incurred for easement work during fiscal 2001. We could not find any evidence demonstrating that the additional \$62,080 charged to the Easement Fund was related to easement work.

The Commission should therefore have charged \$13,528 (not \$75,608) to the Easement Fund, because this is the only amount that could be supported by available documentation.

RECOMMENDATIONS

3. Adjust fiscal 2001 Easement Fund charges to reflect actual operating expenditures incurred in administering the IRS easement program.
4. Maintain adequate supporting documentation for all charges to the Easement Fund.

Auditee Views:

The Commission will maintain adequate supporting documentation and limit charges to reflect actual effort incurred.

According to the executive director, the Commission has established an informal policy of using interest income earned from the Easement Fund to defray staff operating costs related to administering the IRS easement program, and only using principal if the Commission needs to defend an easement in court. (To date, the Commission has not been required to defend any IRS easements.)

However, over the past two fiscal years, operating expenses charged to the easement fund have exceeded interest income earned by an average of \$41,834, which indicates that the informal policy has not been followed recently. Should this trend continue, the Easement Fund will be depleted in approximately seven years based upon the fund balance of \$205,263 at June 30, 2001.

The Board's informal policy regarding the use of the Easement Fund is prudent and should be followed unless extenuating circumstances exist. Although the Commission has not been required to defend any IRS easements to date, it is reasonable to expect that at some point an IRS easement will be the subject of legal action because these are perpetuity instruments. Given this distinct possibility, the Commission should adopt formal guidelines regarding the use of this fund to ensure that financial resources will be available in the future to defend IRS easements.

RECOMMENDATION

5. Adopt formal guidelines defining the use of the Easement Fund.

Auditee Views:

Management concurs with this recommendation.

Easement File Documentation

We reviewed file documentation for ten term easement files and seven IRS easement files to determine whether adequate documentation was maintained. One term easement file and one IRS easement file could not be located.

Our tests of the remaining six IRS easement files found:

- (a) four instances in which no documentation existed regarding whether the easements had been recorded; and
- (b) one instance in which we were unable to verify whether the entire five percent endowment fee had been paid by the property owner.

Additionally, we could not find any evidence that the required insurance coverage of \$1 million had been obtained for three term easements and one IRS easement. Easement properties are also supposed to be inspected annually, but our review of the easement files indicated that the last documented inspections occurred in 1996.

The Commission needs to ensure that complete files are kept for every easement. Additionally, appropriate documentation should be in place in order to demonstrate that all required steps were taken to secure these easements. Lastly, the Commission needs to monitor these easements more frequently, at least on a test basis, and then document these efforts. Regular monitoring would provide greater assurance that owners are abiding by the requirements of their easement agreements with the Commission, and lessen the risk that a property owner could alter an easement property without the Commission's approval.

RECOMMENDATIONS

6. Ensure that required documentation is maintained in easement files.
7. Conduct regular monitoring reviews of easement properties.

Auditee Views:

Management concurs with these recommendations.

REVOLVING LOAN FUND

Section 42-45-10 of the Rhode Island General Laws, enacted in 1981, established the Historic Preservation Revolving Loan Fund. The purpose of this fund is to make loans to nonprofit organizations, individuals, and municipalities so that properties worthy of preservation can be acquired and restored. General obligation bonds have been issued to create the revolving loan fund. The statute provides for loans to be made directly by the Commission, or in cooperation with other lenders. At June 30, 2001, this fund had a balance of \$663,430.

Standard lending practices require credit checks and income verifications be performed to determine the creditworthiness of borrowers. Our audit revealed that the Commission does not routinely conduct credit checks or verify financial information provided by borrowers because it does not have the resources to perform such activities; however, by not determining the creditworthiness of borrowers at the time of approval, the risk of default is increased. We believe the Commission should consider utilizing the services of a financial institution to underwrite loans and collect payments.

We also noted one instance where the Commission, at the borrower's request, waived examination of title for property pledged as collateral for a \$15,000 loan from the revolving fund. Failure to perform this standard and necessary step prior to acquiring a mortgage on a property exposes the Commission to unnecessary risk.

RECOMMENDATIONS

8. Consider utilizing the services of a financial institution to underwrite loans and collect payments.
9. Ensure title examinations are performed in all instances where amounts are loaned from the Revolving Loan Fund.

Auditee Views:

Management concurs with these recommendations.

Section 42-45-10 (b) (2) of the General Laws states that loans to individuals shall be considered only after the Commission has determined that private financing cannot otherwise be

obtained. We found no evidence in the revolving loan fund files that the Commission makes this determination before making loans to individuals.

RECOMMENDATION

10. Determine that private financing cannot be obtained before making loans to individuals.

Auditee Views:

Management concurs with this recommendation.

CONFLICT OF INTEREST

Federal law requires states to appoint an historic preservation review board to accept, research, and process nominations to the National Register of Historic Places. However, National Park Service (“NPS”) regulations specifically prohibit members of state review boards from being included on any lists of qualified consultants distributed by the state historic preservation office. We found that the Commission currently lists a member of the Rhode Island historic preservation review board as a qualified consultant in the area of engineering and industrial properties. This clearly represents a violation of NPS regulations, and could give rise to a violation of the Rhode Island Code of Ethics [General Law Chapter 36-14].

RECOMMENDATION

11. Comply with NPS regulations by removing the review board member from the Commission’s list of qualified consultants, or from the review board.

Auditee Views:

Management concurs with this recommendation.

During fiscal years 2000 and 2001, various legislative grants, survey and planning grants, and special appropriations were obtained by Heritage Harbor, Inc. These funds were either awarded directly by the Commission or were passed through the Commission to Heritage Harbor, Inc. by virtue of legislative appropriation. In each of these instances, the respective executive directors of the Commission and Heritage Harbor, Inc. signed the grant agreements or cooperative agreements. The executive director of the Commission sits on the board of directors for Heritage Harbor, Inc.; in essence, the executive director of the granting agency sits on the recipient agency’s board. It is unclear whether the economic benefit to Heritage Harbor, Inc. gives rise to a possible violation of the Code of Ethics. However, the interlocking relationship of these boards at least creates the appearance of a conflict.

RECOMMENDATION

12. Request an Advisory Opinion from the Ethics Commission regarding whether the executive director of the Commission can serve on Heritage Harbor's board in light of the funds being provided to Heritage Harbor, Inc. by or through the Commission.

Auditee Views:

Management concurs with this recommendation.

GRANT ADMINISTRATION

Audit Guidance for Subgrantees

We noted that the Commission's standard grant agreement for federal funding contains outdated information regarding subgrantee audit requirements. Formerly, subgrantees that received \$25,000 or more in federal financial assistance were required to have an audit (known as a "Single Audit") performed; however, these requirements were changed by amendments to the Single Audit Act in 1996.

Under the amended law, any subgrantee that expends a total amount of federal awards equal to or in excess of \$300,000 must have either a single audit or a program specific audit performed. The Commission needs to include this amended language in its standard grant agreement, not only to be in compliance with the law, but also to ensure that subgrantees who expend less than \$300,000 in federal awards are not having audits performed that are not required.

RECOMMENDATION

13. Amend language in the standard grant agreement for federal funding to reflect current Single Audit requirements for subgrantees.

Auditee Views:

Management concurs with this recommendation.

Annual Statewide Historic Preservation Conference

During fiscal years 2000 and 2001, the Commission awarded grants of \$17,000 each year to Heritage Harbor, Inc., which according to the Commission's executive director were primarily used for the purpose of coordinating the annual statewide historic preservation conference. We were unable to find any documentation detailing how these funds were spent or for what purpose(s). Certain file documentation we reviewed indicated that these two \$17,000 payments were legislative grants, but the Commission's fiscal manager informed us this was not the case.

The Commission needs to maintain complete documentation for these grants, including an accounting from Heritage Harbor, Inc. regarding how these funds were expended.

RECOMMENDATION

14. Maintain complete documentation regarding the annual \$17,000 grant awarded to Heritage Harbor, Inc.

Auditee Views:

Management concurs with this recommendation.

Cultural Exchange Commissions

The General Assembly annually awards Heritage Harbor, Inc. a legislative grant in the amount of \$7,650 for the purpose of funding programs sponsored by six cultural exchange commissions. Any remaining funding that is not requested by these six commissions is dedicated to supporting the annual State Heritage Festival held in the fall. Although these funds are awarded to Heritage Harbor, Inc., the Commission's Heritage Program Coordinator is responsible for all of the administrative functions related to this grant. The only function that Heritage Harbor, Inc. performs is the issuance of checks to the various programs sponsored by the cultural exchange commissions.

Since this grant is awarded to Heritage Harbor, Inc., we believe that the administrative burden should be the responsibility of this agency, not the Commission. Furthermore, the Commission is also technically the grantor agency responsible for monitoring this grant, so a proper segregation of duties dictates that Commission employees should not be administering grants made to other entities.

RECOMMENDATION

15. Transfer responsibility for administering the Cultural Exchange Commission grant to Heritage Harbor, Inc.

Auditee Views:

Management concurs with this recommendation.

HERITAGE SUBCOMMITTEE

When the former Heritage Commission was abolished as a free-standing agency in 1994, a 25-member Heritage subcommittee was established in statute as an official subcommittee of the Commission. We requested minutes of Heritage subcommittee meetings in order to review the activities of this body.

The Commission's executive director informed us that minutes did not exist because this subcommittee has not met; additionally, many Heritage subcommittee members became partners with Heritage Harbor, Inc. when that entity was formed in December 1996. Heritage Harbor, Inc. and its membership undertake many of the same functions that the subcommittee is required to perform by statute.

Lastly, the primary responsibilities of two Commission employees include providing technical assistance and administrative support to some 30 individual subcommittees representing a wide cross-section of ethnic backgrounds. This clearly demonstrates the Commission's continued support of heritage-related activities, even if certain aspects of this effort are performed by a private entity.

Given the Heritage subcommittee's lack of activity, the Commission should strongly consider requesting that legislation be submitted to repeal all statutory references to this entity. If such legislation is drafted, the issue of the Heritage subcommittee member who is elected by the subcommittee membership to serve on the Commission's board, as per Section 42-45-2 (a) of the General Laws, will have to be addressed.

RECOMMENDATION

16. Request that legislation be submitted to repeal all statutory references to the Heritage subcommittee during the next session of the General Assembly.

Auditee Views:

Management concurs with this recommendation.

FOLKLIFE PROGRAM

The General Assembly annually awards a \$17,211 legislative grant to Heritage Harbor, Inc. for the Rhode Island Folklife Program. The entire amount is used to compensate the resident folklorist, who is considered a contract employee. The resident folklorist is responsible for the coordination and implementation of this program, including lectures, workshops, and presentations that illustrate various aspects of Rhode Island's folklife and oral history.

The folklorist has a contract agreement with Heritage Harbor, Inc. and receives a monthly stipend drawn on a Heritage Harbor, Inc. checking account. However, the folklorist is currently housed at the Commission's offices, where rent-free space has been provided. Since the folklorist's contract is with Heritage Harbor, Inc., this individual should be assigned office space at Heritage Harbor, Inc.

RECOMMENDATION

17. Relocate the folklorist to offices at Heritage Harbor, Inc.

Auditee Views:

Management concurs with this recommendation.

STATE-OWNED HISTORIC BUILDINGS AND OBJECTS

Catalogs and Inventory

State law requires the Commission to maintain a catalogue of all buildings and objects of historical interest that are within the custody of State agencies. The Commission published a comprehensive document listing State-owned historic properties in 1989, and also maintains an index card catalogue of objects with historic interest that was prepared in the mid-1970's. Neither one of these resources has been updated by the Commission due to a lack of staff and funding. Additionally, with the exception of State House paintings, no formal inventories or assessments have been performed to determine whether all of the historic objects are still in their listed locations, whether any have been lost or damaged, or whether any additional objects have been acquired by the State.

The Commission needs to update the listing of historic properties by determining whether the State has sold or demolished any of the historic buildings listed in the 1989 publication. An inventory of the historic objects should be performed to verify whether these items are still in the locations listed in the 1970's index cards. Although some coordination will be necessary on the Commission's part, State law requires the assistance of all departments and agencies in these cataloguing and inventory efforts. The Department of Administration's Office of Accounts and Controls has developed a database of State-owned historic items based upon the index card catalog, which should provide the Commission with an excellent starting point in its inventory efforts.

While many of these items do not have significant commercial value, they all have immeasurable historical preservation value. Weak controls over cataloguing and inventory place these historical properties and objects at risk; therefore, stronger controls must be implemented to account for these assets, including an update of the catalogues and the performance of regular inventories. Additionally, consideration should be given to appraising and insuring any historic items that are found to have significant commercial value.

RECOMMENDATIONS

18. Update the catalogues of State-owned historic properties and objects.
19. Perform regular inventories to determine the existence, location, and condition of State-owned historic property and objects.

Auditee Views:

Management concurs with these recommendations.

Once the inventory process is completed, the Commission should then create its own database of the updated historic property and objects information. A database catalogue would make it easier to search for particular information, sort data, and format results. Additionally, information stored on a database is far less susceptible to being misfiled, lost, or damaged. Lastly, at the Commission's discretion, some of this information could be seamlessly transferred to the Commission's web site where it would be available for interested parties to access for research and other authorized purposes.

RECOMMENDATION

20. Create a database catalogue of State-owned historic properties and objects.

Auditee Views:

Management concurs with this recommendation.

State House Paintings

In a January 1997 report regarding the care of 100 paintings displayed at the State House, a fine arts conservator noted that the condition of the paintings showed general neglect. Many of the paintings had been damaged, resulting in tears, dents, or scrapes. For example, one painting was located behind a coat rack and had scratches attributed to coats and hangars hitting the canvas. Another painting was identified as being in danger of deterioration because it was hung directly over a radiator.

This report also classified each painting according to the seriousness of its problems and the urgency of its need for treatment. Recommendations were made regarding the specific steps that would be necessary to restore each painting, including cost estimates. A significant number of frames were also identified as having been seriously damaged due to inappropriate maintenance.

These paintings provide a lasting tribute to former governors and legislative leaders, so steps should be taken to preserve these works of art. However, we were informed by both the Commission and the Department of Administration's Division of Central Services that no corrective actions had been taken to date because no agency is currently assigned the responsibility for either restoring or maintaining these paintings.

RECOMMENDATION

21. Assist in determining responsibility for the restoration and maintenance of State House paintings.

Auditee Views:

Management concurs with this recommendation.

STORAGE OF ARCHAEOLOGICAL ARTIFACTS

The Commission has an archaeological collection repository located in the basement of the Old State House that contains approximately 100,000 artifacts, many of which are small fragments. Presently, these artifacts are catalogued by site reports, which contain a listing of items that were excavated from a particular location. The items are assigned a site number and a box number that indicates where the artifacts are stored in the Commission's repository.

While touring the storage facility this summer, we noted that the room was not air conditioned. Based upon our inquiries, the Commission's archaeologist concurred with our observation that better climate control is needed because humid weather has the most deleterious effect on archaeological collections over time. Although the installation of air conditioning would be the best way to combat this environmental problem, less expensive dehumidifiers are also effective.

RECOMMENDATION

22. Install a cost-effective system to address the climate control problem in the archaeological storage facility.

Auditee Views:

Management concurs with this recommendation.

Since 1984, the Commission has been storing a collection of artifacts that were excavated from Narragansett Native American graves in North Kingstown. This collection is the property of the Narragansett tribe and is being held until an appropriate site can be found for these artifacts. In August 1985, a professional fine art appraiser determined that the collection had a commercial value of \$24,960.

Since this collection is the property of an outside party and has some appreciable value, we asked the Commission whether a memorandum of understanding had been signed with the Narragansett tribe outlining each party's responsibilities, rights, and liabilities. We were informed that no formal written agreement was ever executed. In order to protect both parties' interests in this matter, a memorandum of understanding needs to be adopted that outlines various issues related to this collection, including obtaining liability insurance in case of theft or damage and preparing a reasonable timetable for returning the artifacts.

RECOMMENDATION

23. Execute a memorandum of understanding with the Narragansett tribe that outlines each party's responsibilities, rights, and liabilities regarding the collection of Native American artifacts currently held by the Commission.

Auditee Views:

Management concurs with this recommendation.

INFORMATION TECHNOLOGY

We reviewed the Commission's use of information technology and found that computers are utilized to assist staff in managing various programs and administrative functions. The Commission has also established a local area network, and is currently working on a major project to make survey reports of historically significant buildings and sites located in each Rhode Island municipality available to the general public on the Commission's web site. Notwithstanding these positive achievements, the Commission still needs to improve its information technology capabilities.

Presently, the Commission does not possess a laptop computer, a compact disk writer drive, or a digital camera. We estimated that all three tools could be acquired for approximately \$3,000; however, the benefits and efficiencies realized would far outweigh that initial investment.

For example, we observed that the Commission has inadequate filing space for its various reports, maps, drawings, photos, etc. Armed with a digital camera and a laptop computer with database software, the Commission's staff could easily digitize many of these records, copy them to a compact disk, and transfer the original records to an appropriate storage facility. Furthermore, Commission staff would also benefit from having access to a digital camera and a laptop in a variety of fieldwork situations.

We also noted certain other information technology issues that the Commission should address in the near future, as dictated by both need and the availability of funding:

- determine whether a collaborative relationship can be established with other State agencies regarding the use of geographic information systems technology (i.e., systems that assemble, store, manipulate, and display geographically-referenced data according to their locations);
- create a database for the State Tax Credit program;
- convert all databases to an updated operating system;
- install additional storage capacity for the server; and

- update scanning and conversion software.

RECOMMENDATION

24. Address information technology issues and improve information technology capabilities by acquiring a laptop computer, compact disk writer drive, and digital camera.

Auditee Views:

Management concurs with this recommendation.

OPEN MEETINGS ACT

All board meetings of public agencies are required to be conducted in accordance with the provisions of the Open Meetings Act. We reviewed minutes of Commission meetings for fiscal years 1999, 2000, and 2001 (through April 2001) to determine whether the Commission complied with these provisions. The minutes we reviewed generally complied with the provisions of the Open Meetings Act; however, we noted two areas where the Commission did not fully comply with the Act.

First, Section 42-46-4 requires public session minutes to reflect (a) the vote of each member on the question of whether an executive session should be held, and (b) the specific citation to Section 42-46-5 (a) as to the reason for conducting the executive session. The Commission convened into executive session at its November 4, 1998 meeting, but the minutes did not indicate the vote of each member, nor was a reference to Section 42-46-5 (a) cited.

Second, Section 42-46-7 requires minutes to list how each member voted on every issue, but the minutes for 23 of the 28 meetings we tested did not comply with this statutory requirement.

RECOMMENDATION

25. Comply with the provisions of the Open Meetings Act regarding executive sessions and members' votes.

Auditee Views:

Management concurs with this recommendation.

EISENHOWER HOUSE

The Commission manages the operations of Eisenhower House at Fort Adams in Newport. The Commission provides office space without charge to a non-profit organization involved in fundraising and preservation activities for Fort Adams. Our audit found there is no written agreement between these two parties. This seems to have occurred because the relationship between the two organizations has been informal. Appropriate property management practices require a written agreement be executed between the Commission and the non-profit organization outlining the obligations and responsibilities of each party.

RECOMMENDATION

26. Execute a written agreement with the non-profit organization at Fort Adams detailing the obligations and responsibilities of each party.

Auditee Views:

Management concurs with this recommendation.