

BOARD OF TRUSTEES OF THE JOHN AND MABLE RINGLING MUSEUM OF
ART AND BOARD OF DIRECTORS OF THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.

Joint Audit Committee Meeting

January 25, 1984

Trustees Present: John C. Manson, Chairman
Sydney Adler, Vice-Chairman
Robert B. Lochrie, Jr.

Trustees Absent: Rhoda Pritzker

Other Trustees
Present: Alex Dreyfoos, Jr.
Herbert McKay

Staff Present: Richard S. Carroll
John P. Daniels
Mark Gotlob
Jerry Boon
Michael Auping
Dolores Curnutte
Joyce Cabak

I. Opening of Meeting

Chairman Manson called the meeting to order at 11:10 a.m.

II. Joint Audit Committee Report

After considerable discussion, the following report
was drafted for submission to the Board of Trustees:

The members of the Audit Committee divided the
areas of investigation, and from the facts
compiled to date from this unfinished investigation
the Committee finds:

1. That the preliminary investigation of Joe
Penner was a worthwhile and necessary project
that has brought up many questions that should
be answered.

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2. That the Board and this Committee is in need of the services of an attorney to research and answer legal questions, and the Committee requests authority to use the services of Attorney Lamar Matthews.
3. That a Board Policy be adopted on the employment of relatives.
4. That the Museum Policy Manual is in fact, a statement of a number of different policies, some from the Board, some from the Director, and possibly some that are only proposed, and that it is probable that the policies have not always been uniformly followed and are often confusing.

The Committee recommends that the Policy Manual be reviewed by the staff and those policies of the Board, the Director, and those being proposed be cataloged.

5. After interviewing 30 or more staff, employees, Trustees, volunteers, and civic and artistic leaders, John Manson found no evidence of an employee morale problem, and little evidence of a morale problem among the volunteers, though there was some dissatisfaction among some leaders and some former employees.
6. Facts compiled show that the Director has not been successful in his relationship with a good part of the Sarasota artistic, civic, and business community.
7. Staff has been very cooperative and hard-working in this endeavor.
8. The Committee concludes that its investigation must continue, and that a special meeting will be held within the next week to 10 days to try to reach some conclusions.

II. Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 12:40 p.m.

BOARD OF TRUSTEES OF THE JOHN AND MABLE RINGLING MUSEUM OF ART
AND BOARD OF DIRECTORS OF THE JOHN AND MABLE RINGLING MUSEUM OF
ART FOUNDATION, INC.

JOINT AUDIT COMMITTEE MEETING

AGENDA

January 25, 1984

11:00 a.m.

1. Joint Audit Committee Report

BOARD OF TRUSTEES OF THE JOHN AND MABLE RINGLING MUSEUM OF ART
AND BOARD OF DIRECTORS OF THE JOHN AND MABLE RINGLING MUSEUM OF
ART FOUNDATION, INC.

JOINT AUDIT COMMITTEE

January 25, 1984

Trustees Present: John C. Manson, Chairman
Sydney Adler
Robert B. Lochrie, Jr.

Trustees Absent: Rhoda Pritzker

Other Trustees Present: Alex Dreyfoos, Jr.
Herbert G. McKay

Staff Present: Richard S. Carroll
John P. Daniels
Mark Gotlob
Jerry Boon
Michael Auping
Dolores Curnutte
Joyce Cabak

I. Opening of Meeting

Chairman Manson called the meeting to order at 11:10 a.m.

II. Audit Committee Report

Mr. Manson stated that his assignment was to talk to the Director and anyone else whom he felt would be appropriate. He talked to the Director briefly and got notes and correspondence regarding the situation on appointment of his wife on the Foundation. The issue is the question of nepotism. Aside from the statutes it is bad practice. The established fact is that the arrangement was approved by the Board of Trustees of the Museum. The Trustees are more responsible for where we are than anyone, the Director and his wife are not responsible. It is up to the Trustees that are on board now. I have written letters

to that effect. My views and my recommendations are as follows:

The members of the Committee divided the areas of investigation suggested by Joe Penner's letter of December 13, 1983. Therefore, we spent in excess of 100 hrs. interviewing over 40 persons, reviewing Museum records, sending and receiving correspondence, visiting the Museum and working with Dick Carroll, the staff, Foundation, attorneys, and the Museum CPA's. From the facts compiled so far from this unfinished investigation the Committee finds:

1. That the preliminary investigation of Joe Penner was a worthwhile and necessary project that has brought up many questions that should be answered.
2. That the Board and this Committee is in need of the services of an attorney to research and answer legal questions and the Committee requests authority to use the services of Attorney Lamar Matthews.
3. Employment of relatives policy be adopted.
4. That the Museum Policy Manual is in fact a statement of a number of different policies - some from the Board - some from the Director and possibly some that are only proposed and that it is probable that the policies have not always been uniformly followed and are often confusing.

The Committee recommends that the Policy Manual be reviewed by the staff and those policies of the Board - the Director and those being proposed be cataloged. Mr. Carroll is presently undertaking this work.

5. After interviewing 30 or more staff, employees, trustees, volunteers and civic and artistic leaders, found no evidence of an employee morale problem and little evidence of a morale problem among the volunteers, though there was some dissatisfaction among some leaders and former employees.
6. Facts compiled show that the Director has not been successful in his relation with a good part of the Sarasota artistic, civic and business community.
7. Staff has been cooperative and hard working in this endeavor.
8. The Committee concludes that its investigation must continue and that a special meeting of the Trustees may be necessary.

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Do we have the problem of going through the Administrative Procedures Act on the Foundation Board?

There seems to be some question as to whether the Foundation Board is under the guidelines of the State.

Manson has looked at Statutes, we need some technical legal help for the Board. Some of the staff has had different ideas. Recommendation is that the Committee be authorized to go to Mr. Matthews, Attorney for the Foundation. We have questions we would like to put to him. On the use of the property we can read Article, but the statute is only the beginning. We will hand to the attorney to give us legal opinion.

Lochrie stated that the Board should adopt policy. State law covers some things, we need a Code of Ethics. It is our fault Mr. Carroll and Wife have been confronted with this situation. We need to have a rule, we can not apply guilt to something that was approved by the Board.

Members of this Committee have spent in excess of 100 hours on this. This is a real problem, and is not the first time this has been done. Twice before this has happened.

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Mr. Adler and Mr. Lochrie agrees that the investigation suggested by Mr. Penner was worthwhile and necessary. Also that the Board and the Committee are in need of an attorney to answer legal questions. Lamar Matthews to be that attorney.

Mr. Dreyfoos asked what we are asking the attorney to do?

Mr. Adler said Joe made statement that if the Committee did not request it, he would request the State Ethics Commission to review the computer situation. Mr. Carroll does not believe the Foundation is under State Laws. We need some clear direction as to if the Foundation comes under the same State Laws.

Manson stated that some staff had indicated that we were not under State Law.

Adler wants to know if we are under State Guidelines and Laws or not?

Manson said we do not know how Foundation is to work. We need to spend some money to get accurate advice we can rely on, this is dangerous to Trustees.

John Daniels explained that as members of the Board of Trustees are appointed by the Governor, if several of you are meeting together the sunshine law is in effect. Since the members of the Board of Trustees are the same as the Board of Directors of the Foundation you can not separate from sunshine act.

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Mr. Manson said the Sunshine and Public Records Act are two different things.

Lochrie - It was good for Joe to bring matters up, from time to time issues should be looked into, I find no problem with that. I think it might be unnecessary and not in the best interest of the Institution to dwell on what was done by previous Board. We should look forward.

Manson - A policy against nepotism should be investigated and adopted - will recommend to Board.

Lochrie - Hicks matter, Mr. Carroll talked to Chairman of the Board and Chairman of the Finance Committee, and Mr. Hicks was paid no compensation by Museum or Foundation. As far as I am concerned that is the end of it.

Adler - Jack approached Joe's letter by going from item to item. Is our present management running the business of the Museum properly? In a number of things I have serious questions - the accounting and control procedures at Museum operated by State and then Foundation. All of these things need to be looked at as a whole. Vouchers and checks were not properly documented, this is an improper way of maintaining records. The pat answer we got was that "it was within budget." The Committee is not

in a position to come up with a definitive report. There are a great many unbusinesslike things going on, is the business being properly run? On subject of the computer, bids put out by NCR, we are not dealing with apples and apples, there are more units in one bid than the other, etc. It is time to knock heads over this.

Lochrie agrees. Had same feeling Syd did, puts responsibility on Board of Trustees. We need to sit down and set some ground rules that were not set before. Part of the problem is that we need to separate Foundation from State again. Problem, it is difficult to determine budget procedures at Museum.

Manson - We need to bring all of this together - when Syd and I left the other meeting we made same suggestion. Some of these areas need to be reported to the Board out of justice to employees. We have worked on this for 60 days and have talked to a lot of people. On the California trip I talked to Knowles and staff. Syd looked at checks, and it appeared to me the California trip is something that had been done every year and was quite legitimate.

Adler - The problem that I had was that only recently the vouchers were turned in. There was not necessarily improper, just the way it was handled.

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Manson - The staff did not get together and each lunch on the Foundation.

Adler - Need to put on vouchers what was discussed at lunch.

Manson - We should be able to say to Board that staff did not get together and have lunch on Foundation.

Lochrie - The authority existed and the budget was there, just needed to be documented.

Adler - The problem which arises was proper procedures and documentation. You have to look at person running business, and is that business being run properly?

Mark Gotlob - Jerry and I have looked at each of the internal controls and operating procedures to be sure all are being properly documented.

RSC - One of the former employees was ready to retire after 8-9 years of service to the Museum, etc.

Mr. Koger arrived at meeting at 11:45 p.m.

Lochrie - What Audit Committee has to deal with here are lunches. Can you assure the Audit Committee that there were no funds that were being administered without proper documentation?

Adler - What is the procedure on how the Board is involved in hiring?

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RSC - The Board hires the Director, and the Director hires the staff.

Lochrie - It is appropriate in some organizations for the Board to hire three people only, the executive director, the auditor, and the attorney. The auditor should report through the Audit Committee to the Board.

RSC - When we found that Keller was a problem we immediately had to get him out. Alex knows within five days he was gone.

Manson - Items 1, 2 and 3 which has to do with bills is to be reported at this time.

Adler - Basic issue is that I have difficult time looking at one on one.

Lochrie - What the Committee should report is that we found no problem with the authorization or budget of the expenditures, but we would like the Foundation or the Museum to assure us that procedures are documented properly.

Adler and Lochrie do not want to report on 1, 2 and 3.

#5 - Policy Manual

Some policies are from Board, some from Director, and some only proposed. Committee wants the policies looked at and cataloged.

Adler - Board should look at these also. Policy on Conservator is Director's Policy.

Manson - Some policies are not written policies.

Whatever policies are put in should be carried as policy and not discretionary policy.

RSC - We have internal policies to establish what the policy should be before we bring to Board.

Adler - The problem is is it a test policy or a real policy.

RSC or JD - Board policy goes through Administrative Procedures Act - Internal Operating Manual had internal operating policies. Was all put in one book by mistake.

Lochrie - Is it the Board's business to establish policies and then have the executive director carry on these policies. It is my understanding that the procedures being reviewed by the Board will be Board policy.

Manson - There is a problem with the "different" policies, it should be looked into and reported back. The Board will receive report.

#6 - Nepotism

Lochrie has trouble with the word scandal. We are not unanimous in adopting policy.

Manson - 30 or 40 people in Sarasota said scandal.

#5 - Conservator

Facts concerning the policy regarding the conservator and acquisitions have not yet been established.

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#7 and #8 - same as 1, 2 and 3, do not want to report on it now.

#7 - Dinner at Ca'd'Zan

Have any funds been raised since this was to be a fund raising event? (yes, \$2,000)

Adler - Should this have been done according to the section in the Policy Manual? Should the Board have been apprised, was the procedure properly followed?

J. Daniels - New College Foundation came to us to work with them on this, etc.

Dreyfoos - Some times this kind of situation comes up where staff has to exercise judgement. We can only try to steer them.

Adler - Agrees - we do have to get more involved through Audit Committee and be more involved in approving policy techniques so we are aware of things like this. We also have to look at Joe Penner types of people who will always be checking and we have to look at the people we have running things.

Dreyfoos - The Museum Executive Director has raised \$30+.

Adler - you can not look at this item by item, you have to look at it as a pattern.

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Lochrie - 20-30 specific charges presents a pattern. Need to establish policy for use of Residence, can be a broad policy.

Manson - Committee needs to report facts. I feel 7 & 8 should be reported on. I talked to people and wrote to them, also past Trustees. I do not find any employee morale problem. Some of these people did not like Dick, and felt that they had not been treated right by him, but felt he is a fine Director. Volunteers have called in numbers. Most of them are not very friendly with Dick, but feel he has done a good job.

Lochrie - People need to deal with the Museum as a Statewide Museum. Some people think it is ours and we should be running the show. Secretary of State, Rep. McPhearson, are trying to make it a statewide program.

RSC - The fact that it is now a Statewide and National Museum has represented some difficulties in Sarasota.

Lochrie - Suggest we get Foundation and Museum separate again. Maybe there needs to be an organization in Sarasota.

Adler - We have that in the Members Council. There is a personality problem.

#8 - Morale Problem (McKay)

We have discussed this problem with current staff, should you not include in your report that you do not find a morale problem.

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Manson - No morale problem with staff.

Adler - Can not solve on item by item basis.

Manson - Talked to Strode - said Board investigated a person in past, and found Dick to be right and that person guilty. Also talked to Schall, no problem with Dick. He and Dick just could not work together, there is a need for person in that capacity.

Lochrie - add and some former employees to morale question.

#11 - Community Leaders

Manson - Addy tried to railroad the situation on statue, Dick did not have anything to do with it.

Lochrie - First sentence stands on its own, strike second sentence.

RSC - The artistic community - this is statewide and national Museum not local.

Adler - The Florida Artists Show was not done properly. catalog was not done. etc.

RSC or JD - over budgeted, had to cut somewhere - catalog not done.

Lochrie - Management should have gone over budget to produce catalog and do right if you had gone into it that far.

Adler - This show was every internationally know artist in Florida. Should have something once or twice a year where you bring in community artists.

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Adler - We need to held the young, upcoming artists.

RSC - That had been done in the past in a show called "Florida Creates." Did not work out well, so we had to drop.

Manson - Then we can report that the Committee concludes that its investigation must continue and that a special meeting of the Trustees may be necessary.

RSC - Hope management of the Museum is not going to be judged by new set of standards that are now being applied. Hope my performance in the past, etc.

Dreyfoos - Hope that these conclusions can be done in two phases. Is there any question of knowingly wrongdoing? The Board has to take a new direction and just how much of a working Board do we want. Continue work of Audit Committee, put this in the past and look forward to the future.

Manson - add to last sentence on last page of report that the staff has been very cooperative and hard working.

Adler agrees.

Lochrie - We will conclude final report as soon as possible.

Meeting adjourned at 12:40 p.m.