



INSPECTOR GENERAL REPORT

2005-10-0534

January 16, 2008

DNR STATE MUSEUM

Inspector General David O. Thomas and Staff Attorney Amanda Schaeffer with the assistance of the State Board of Accounts makes the following report:

This investigation by the Office of the Inspector General (OIG) addressed issues with the structural management of the Indiana State Museum (State Museum) by the Department of Natural Resources (DNR) in partnership with the Indiana State Museum Foundation (Foundation), a private, non-profit entity.

Specifically the investigation focused on the combined management of the State Museum in two areas: management of the State Museum Development Fund (Fund) and potential ethics violations due to the shared management of the State Museum. The Fund is established in the State Treasury for the purpose of promoting the State Museum. IC 14-20-1-1.5. DNR is currently charged with administering the Fund. IC 14-12-1-1.5(b). Financial operations of the Foundation, which in turn manages the State Museum, are funded in part by the Fund. DNR also provides funding to the Foundation from the \$7.5M annual State Museum appropriation and miscellaneous DNR funds.

DNR is generally authorized by the Legislature to contract the management and operation of any property held and managed by DNR to other entities. IC 14-11-1-5. Since 2002, the operation of the State Museum has been contracted by DNR with the Foundation. However, the State Museum, a state entity operating under a Division within DNR, currently has certain legislative mandates for its operation. *See e.g.* IC 14-20-1-1.5 (management of Museum Development Fund) and IC 14-20-1-8 (staffing of division director and Museum leadership).

Extensive legal research was conducted and interviews occurred with members of DNR, the Foundation and other agencies. The State Board of Accounts also provided valuable insight and review. The ethics issues were also submitted to the State Ethics Commission.

The OIG accordingly makes the following recommendations to DNR should it choose to delegate the management of the State Museum and Fund through a further contractual relationship with the Foundation:

- 1.

That DNR seek legislative amendment of IC 14-20-1-1.5 regarding the administration of the State Museum Development Fund. If DNR chooses to allow the Foundation to participate in the management of these state funds, legislation should be sought which specifically permits DNR to delegate this authority to the Foundation.

2.

That DNR seek legislation that authorizes the supervision of DNR employees by Foundation personnel in instances where DNR employees are assigned to assist the Foundation in the operation of the State Museum.

3.

That the contract between DNR and the Foundation be in compliance with the requirements of I.C. 14-20-1-8 involving the staffing of the Director for the DNR Division of State Museums and Historic Sites.

4.

That the contract between DNR and the Foundation include standard contract content (e.g. duties, maximum consideration, term, etc.) and that DNR continue to observe standard approval process (e.g. IDOA, Budget Agency, Attorney General) for Personal/Professional Services contracts, as recommended in the Indiana Department of Administration contract manual.

5.

That Budget Committee review, followed by State Budget Agency approval, of State Museum Development Fund expenditures occur on a regular basis, as currently required under IC 14-20-1-1.5(c).

6.

That the Foundation supply to DNR semi-annual financial reports in order to insure financial accountability, including a Statement of Financial Condition showing the State Museum's assets, liabilities and net equity, and additionally an Income Statement disclosing State Museum revenues and expenses.

Dated this 16th day of January, 2008.



David O. Thomas, Inspector General