

## REPORT HIGHLIGHTS PERFORMANCE AUDIT

### Our Conclusion

The Arizona Historical Society (Society) predates statehood and was established to obtain, hold in trust, and provide access to items pertinent to Arizona history. The Society's state appropriations have decreased by 16 percent from \$3.2 million in fiscal year 2008 to \$2.7 million in fiscal year 2012. Nonappropriated revenues have also decreased by 29 percent from \$1.4 million to \$1 million over the same period. To address declining revenues, the Society needs to develop a fund-raising action plan, create and assign fund-raising responsibilities to a development officer position as resources allow, evaluate the need for regional chapters, and strengthen relationships with private support groups. The Society also needs to develop a comprehensive collections-management plan to identify and prioritize its collections-management needs. The Legislature should also consider providing for a governor-appointed board.



2013

## Society should do more to address declining revenues

The Society was established in 1864 and operates seven museums state-wide. Statute establishes a Board of Directors (Board) to oversee the Society. Board members are elected by the Society's members, and society membership is open to any individual who pays an annual membership fee. The majority of the Society's revenues, which have been declining, comes from state appropriations, while less than a quarter of its revenues comes from donations, admission fees, and goods sold at museum stores. To provide effective oversight of state monies, the Legislature should consider amending statute to provide for a governor-appointed board.

### Society is taking steps to increase nonappropriated revenues or cut costs—

Museums nation-wide witnessed a decline in monies obtained from private sources due to the economic downturn, and Arizona is no exception. For example, the Society's membership dues are down by 44 percent, from \$136,958 in fiscal year 2008 to \$77,170 in fiscal year 2012. Over the same period, donations are down by 59 percent, from nearly \$794,000 in fiscal year 2008 to approximately \$327,000 in fiscal year 2012. Declining revenues have prevented the Society from filling key positions, upgrading heating and cooling systems, and purchasing computer servers to support large-scale digital conversion projects, such as converting its historic newspapers and photographs to electronic format for storage and to provide online access.

To address these funding shortfalls, the Society has tried to increase membership revenue and donations through its Web site and sell society items online. The Board has also established a nonprofit corporation to act as a private fund-raising arm for the Society. As an example of how the nonprofit corporation can help the Society, New Mexico has established a private foundation to support its state-run museum system. The foundation reported that it received private contributions and pledges of \$4.8 million in fiscal year 2012 and managed endowment funds worth \$16.9 million as of September 2012. In addition, to enhance revenue generation, the Society entered into an intergovernmental agreement with the State Parks Board to operate the Riordan Mansion State Historic Park (Park). In 2012, it cost the Society approximately \$177,000 to operate the Park, and the Society received approximately \$182,000 in revenue. The Society has also reduced operating costs by replacing staff at its Yuma museum with temporary staff.

**Society should take additional steps to obtain adequate funding—**The Society should develop a fund-raising action plan that contains specific, measurable, and aggressive/attainable steps to increase revenue. Such a plan would help the Society achieve its fund-raising goals and objectives and better position itself to compete for federal grants for projects such as making environmental improvements for its collections and exhibits, and inventorying and cataloging collections.

In addition, fund-raising is too important to assign to staff who are already working full-time on other responsibilities, so as resources allow, the Society should move toward establishing a development officer position to oversee its fund-raising activities. Other states, such as Oregon, have a similar position that is responsible for overseeing its fund-raising programs, membership recruitment, grant writing, and marketing efforts. Our 1995 and 1998 performance audit reports also recommended that the Society establish a development officer position to take charge of fund-raising.

**Society should decide whether regional chapters are necessary**—Since 1999, the Society has given its regional chapters part of the Society’s annual membership dues. Although these regional chapters are advisory in nature, they also have responsibilities such as fund-raising in their respective geographical areas. However, in fiscal years 2008 through 2012, regional chapters did not raise any money for the Society. In addition, at an October 2012 society board meeting, board members discussed whether the regional chapters are needed. The Society’s Board should review and determine the need for these chapters and whether it should continue allocating money to these chapters or use the money for other needs such as to pay for a development officer, computer upgrades, or obtaining sufficient storage space for its collections.

**Society should strengthen relationships with private support groups**—The Society is affiliated with eight nonprofit support groups that raise money for the Society. For example, one such support group, the Historical League, raised approximately \$72,000 in fiscal year 2012. The American Alliance of Museums and the American Association for State and Local History recommend that museums enter into written agreements with its support groups that outline the parties’ responsibilities. For example, the National Park Service has a standard agreement it uses with its support groups that includes a history of the relationship, the scope of work that the group will perform, and who is responsible for coordination and communications. The Society should enter into a similar agreement with each of its support groups.

## Recommendations

The Legislature should consider amending statute to provide for a governor-appointed board.

The Society and its Board should:

- Develop a fund-raising action plan;
- Work toward creating and assigning fund-raising to a development officer position;
- Consider the need for regional chapters and allocating monies to these chapters; and
- Develop and enter into formal agreements with its support groups.

## Society needs a comprehensive collections-management plan

The Society has taken steps to address various collections-management issues, but has not developed a comprehensive collections-management plan to guide these efforts. For example, the Society has addressed some environmental issues, such as fixing ventilation or controlling humidity in museum storage spaces, repackaging artifacts in acid-free boxes to buffer fluctuations in humidity, and moving artifacts to storage locations with better conditions. However, collections issues involving improper environmental conditions and storage methods and difficulties tracking and inventorying its collections have not been fully addressed. Specifically, controlling the environment keeps artifacts from deteriorating as quickly, but both the Society’s Arizona History Museum in Tucson and Pioneer Museum in Flagstaff have environmental issues. In addition, the Society does not have sufficient space to store its collections, which can prevent it from acquiring important historical artifacts. Artifacts also need to be tracked, which prevents loss, by identifying their location and condition. The Society is behind in recording some of its artifacts using cataloging software purchased in 2006.

Although the Society is working on developing a comprehensive collections-management manual that includes policies and procedures for how to properly procure, protect, and remove artifacts, it also needs to develop a comprehensive collections-management plan to identify, prioritize, and determine the costs and action steps needed to address its collections-management issues. After the plan is implemented, the Board should receive regular updates to ensure that the Society meets its collections-management goals.

## Recommendations

The Society should develop and implement a comprehensive collections-management plan, continue to develop a collections-management manual, and the Board should receive regular updates on the plan’s progress.