

OFFICE OF
CONTROLLER

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January 7, 2008

Karen L. Sisson, Chair
L.A. For Kids Steering Committee
200 N. Main Street, Room 1500
Los Angeles, CA 90012

Dear Ms. Sisson:

**SUBJECT: EVALUATION OF RESPONSE TO THE CONTROLLER'S AUDIT OF
THE CHILDREN'S MUSEUM OF LOS ANGELES**

My Audit Division has evaluated your November 8, 2007 response to the report entitled "Audit of the Children's Museum of Los Angeles" issued on August 29, 2007. I am pleased to see that the City is more closely monitoring the CMLA's activities. However, I noted that the response did not include implementation timeframes. By January 30, 2008, please provide my office with implementation timeframes.

In addition, we have the following comments.

Recommendation #2

The response states, "that it may be somewhat premature to develop an alternate plan since CMLA is not scheduled to open until March 31, 2009."

At the time of our audit, we had serious concerns regarding CMLA's ability to raise sufficient funds to open the museum. For example, the CMLA needed to raise \$22 million in the 18 months preceding the targeted opening date of March 2009. During the six to seven year period preceding our audit, the CMLA had collected less than \$10 million in donations. Consequently, we do not believe it is too premature to at least outline alternative plans, unless the CMLA has demonstrated a high probability of raising the needed funds since our audit.

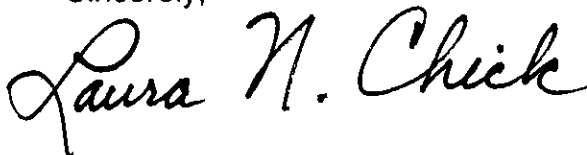
Recommendation #6

The response states, "As part of the competitive process, through which the majority of Proposition K funds were awarded to CMLA, all responders (including non-profits) are required to provide copies of their most recent audited financial statements for the previous two years (unless incorporated for less than two years), signed by a Certified Public Accountant (CPA). The CMLA did provide this information. It is not possible to request that these entities show proof of monies they would have in the bank in future years."

Although CMLA did provide financial statements, they were provided in 1998, eight years before construction actually began. To obtain reasonable assurances that the CMLA continued to be financially stable, more recent financial statements should have been requested and the City should have closely reviewed the information provided. For example, the CMLA submitted a General Contribution Report as of April 30, 2006. This report showed that CMLA had secured \$36.5 million in total funding. However, this amount included \$6.3 million on planning and design costs related to the Art Park that was subsequently abandoned and for other expenses that were no longer available for the project. The Museum's 2005 financial statements showed the CMLA had already written-off these amounts.

Also, the City could ask the CMLA to provide support for its numbers and can more closely scrutinize the figures provided. For example, with respect to pledges, the City could ask CMLA to provide an aging of outstanding pledges along with historical data showing the relationship of pledges to actual collections. This would allow the City to better assess CMLA's financial capability.

Sincerely,



LAURA N. CHICK
City Controller

cc: Honorable Members of the City Council
Gerry F. Miller, Chief Legislative Analyst
Jimmy Blackman, Deputy Chief of Staff