

Exhibit Number: 16

The following exhibit is several assorted documents that exceeds the 10-page limit therefore it cannot be scanned. A small portion has been scanned to aid in your research for information. The exhibit is on file at the Montana Historical Society and can be viewed there.

John Smart

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Dear HB 540 Committee Members and Legislators and Governor:

Much of this opinion and documentation was delivered to the legislature and Governor on the morning of March 21, 2005 in an attempt to provide the legislature and Governor with information that they might be unaware of concerning the purchase of the Capital Mall as a potential building to be converted into a "History Center" and expanded museum for the Montana Historical Society. This bill has been moving around very fast and as you may know it is nearly impossible for a citizen to keep track of these events to provide testimony. I now realize that there was a hearing on this bill the very day that I personally distributed the bill as a complete novice, hand delivering 30 copies to legislators, the House and Senate clerks and the Governor. Nobody mentioned to me that there was an opportunity to testify that day although I was in the building at 8:00 A.M. Please note that the latest version of this bill has cut funding to educational institutions while supporting MHS Mall purchase funding.

This new document includes an article written for the Queen City News with additional comments and is intended to be part of the permanent legislative record according to law. My investigations of the acquisition of the Scriver Collection and its management continue. It is my opinion that unexamined information suggests that culturally sensitive artifacts from the Scriver collection may be subjected to the Indian Repatriation Act and many are presently in a Canadian Museum. Please note the unprofessional manner in which the \$5 Million in artifacts have been mismanaged at Virginia City according to the 2003 audit. I have no information concerning the cataloging of stored Scriver artifacts at this time. All of these issues need independent investigation and auditing before supporting an expanded MHS.

Thus it is my opinion that before any state money is committed to the purchase of the Capital Mall that a complete audit be done of the MHS, including the Scriver collection registration and security and any de-accessioned materials from the library collections as well as normal fiscal records. This should also include an audit of employees holding various positions in regard to their job description qualifications and duties. In addition, before moving forward with a proposal that requires at least \$30 Million in matching funds from the MHS Foundation, that a complete audit, past and present be done to determine if they have the ability to back their promises as they have been one of the primary sources of information to the media supporting this joint proposal. This should include all related divisions or subsidiaries of the MHS foundation as well as claims made in their fund raising requests in support of the mall acquisition.

Now that I know a bit more about the difficulty of dealing with asbestos, it is clear that a complete engineering investigation be made of the Capital Mall be made before proceeding according to the safety standards of the Asbestos Control Act. Asbestos is very dangerous when aged and then disturbed. It can become airborne in microscopic particles and very difficult to contain for remove. Just imagine the problems that might develop if the mall is renovated as planned of there if asbestos throughout the building. Asbestos disposal is also a very complex and expensive process. The recent DEQ enforcement action just dealt with ceiling tiles and I can find no information to the effect that the building has been completely evaluated by engineers. If asbestos was used throughout the building, as was common during that era of construction, the liabilities, both financial and legal could be enormous if acquired as a state property. Again, my suggestion is quite simple. Before creating a financial liability for the public, study all off these issues, as well as any issues that are discovered through a study process before any commitment is made for

the state to acquire the Capital Hill Mall. If the asbestos problems are significant, the potential impact on the state budget could be beyond anyone's imagination if the old mall is to be a center for people, public artifacts and documents for the next century, In my opinion, this appears to be a opportune time for the Mall owners to sell and avoid possible depreciation and a bad time for the state to acquire the property.

There also exists the scientifically real issue of potential earthquake destruction at the location of the Capital Mall. This is not only a potential human risk, but in the case of a museum, entire multi \$Million collections could be destroyed. In 1935 the Intermountain College was destroyed ,and due to the inherent dangers of that site, the college was re-built in Billings. The location might be uninsurable due to seismic risk factors. This would clearly be an issue for the State Insurance Carrier to study in depth . To date the specific high risk locations in the Helena area have not been properly evaluated. The engineering liabilities of the existing building are unknown as well as the costs of renovating or demolishing the building and constructing an earthquake-proof structure. The current estimates for "renovation" could easily double. Attached are four pages of earthquake information which indicate the need for independent scientific study before any state funds are committed to this Museum proposal.

All of these very complex issues not known to the taxpayers must be presented to the public before any decision is made on the MHS Mall "History Center" project. I also have no knowledge that an independent appraisal of the Mall property has been made considering all of these factors. It is my opinion that the state may end up purchasing a worthless economic liability. There is also the issue of the leasing fee of the land.

I would also consider it a valid topic to investigate, not necessarily in the form of an audit, as to why the MHS has been unable to acquire the great Lewis and Clark traveling exhibition for display at the MHS.

This exhibition was prepared over a long period of time by the Missouri Historical Society. It is my opinion after making inquiries, that the old and very large F.J. Haynes exhibition space has been cleared out to make room for the Lewis and Clark exhibition. An interesting thought is that now that the dated Haynes exhibit has been removed there would be ample room for the best of the Scriver collection and Poindexter collection to be displayed which is part of the rationalization for purchasing the Capital Mall.

It is also worth noting that in the 1980's, as the Holter museum developed, the MHS adopted a policy of not competing with the Holter in showing modern art. The Poindexter collection also presents certain perpetual conservation liabilities. Portions of the Poindexter collection could be sold to pay for an improved Montana Historical Society building and to limit on-going conservation costs for an aging collection that has little to do with Montana History. Much of the collection is not of national quality. Most museums reject artifacts that are not consistent with the mission of that particular museum or are of poor quality. It is also my opinion ,as a personal witness, that many of the artifacts in the MHS collection are not of exhibition quality and there is probably not enough collection material to fill the square footage of the Capital Mall unless it is designed as a fabricated theme park. However, the current director of the MHS does have a background in wildlife and parks management.

Respectfully,

John Smart

Article Submitted to the Queen City News: on March 27, 2007 to be published March 30, 2005

Last fall I decided to set aside all of my personal ethical, and spiritual values and get directly involved with democracy in Montana. There were some interesting candidates around and one party had monopolized power for decades. I got up the courage to do some direct telephone polling although nobody likes telephone solicitation. When I finished my list of average Montana voters I found most people to be polite and eager to share their views. Despite political party membership, the consensus was that the most important issues for the legislature were education, health care, and energy costs. I had a very moving conversation with a single mother holding down two jobs with kids who said she could not make ends meet. I had once been a single parent father with two children trying to make it on one salary, and now have grandchildren. For those with children, education was number one.

Now that the 2005 session is into the final lap it looks like these concerns remain unresolved. The Democrats have made an effort to improve education but the Republicans made it clear from the beginning that they would block any Democratic bills. They even resorted to the mysterious "budget cap" formula that they have never followed properly while in power to make the Democrats look like "big spenders". Neither party has made any meaningful attempts to resolve health care or energy costs. Energy prices alone have created huge problems for schools as well as taxpayers. Nobody mentioned the need for a larger and expensive museum in Helena.

When the session began to pick up steam, suddenly, no less than eight articles and one opinion poll appeared in the Independent Record about buying the Capital Mall and converting it into a bigger Montana Historical Society. I was totally surprised and amazed to say the least. The plan presented by the MHS asked the state to put up about \$7.5 million through bonding and the remaining estimated \$30 million was to come from the MHS Foundation. But after 20 years of fund raising the Foundation does not have the cash to pay even a substantial portion of the purchase price of the mall building. How then will they raise \$30 million or more to finish the project? Unfortunately, if the state moves to buy the mall building, there is no turning back.

Having worked in and around museums for fifteen years I was stunned that the old dated architecture of the mall was even a remote choice. The problems magnify when you consider renovation costs to create a building that is earthquake-proof and meets the internal environmental standards of a museum plus security. Things get even more complex when you discover that the land is under separate ownership and leased. But what really rattled my cage was when I discovered that in 2004, the managers of the mall were fined \$1,750 for being in violation of the Federal Asbestos Control Act. Since the beginning, the Salt Lake City owners of the building have been unavailable for comment.

As we all know from Libby, asbestos is a horrible toxin that is nearly impossible to clean up. The mall was built during the heyday of asbestos use when it was commonly part of "popcorn" ceiling tiles, wall and roof insulation, roofing materials and plumbing and heating systems. The management corporation of the mall was cited for "its failure to ensure that a thorough asbestos inspection was performed by an accredited asbestos inspector prior to renovations in a portion of the Capital Hill Mall. DEQ noted the renovation had impacted suspended ceiling tiles, which are often a source of asbestos-containing material." And the older the asbestos material, the more likely it is to become airborne as tiny particles. For this reason, schools, public buildings and public commercial building should be asbestos free for safety. It is most dangerous when disturbed with human symptoms often not appearing for 20 years. Ask the dying at Libby.

This information was a DEQ press release on Sept. 21, 2004. Only months later when the 2005 session began, the secret master plan for a super museum was sprung on the public. There are lots of options to buying and converting the mall for more exhibition space, but that would take several pages of writing. This was also hyped with the pressure that the purchase must be made now or never. But, if it happens, and the Foundation cannot find the estimated \$30 Million or possibly more, the taxpayers will end up footing the bill. This reminds me of how deregulation was passed without study and we now are paying for that mistake forever, unless the legislature develops public power. Tragically, their track record runs more along the

lines of passing legislation for special interest groups at the public expense with no questions asked.

Despite all of their partisan conflicts complete with character smears aimed at the Governor, both parties now seem to agree on the miraculous mall museum project. The bonding bill just sailed through the Senate with little resistance. Being a good little citizen I had actually circulated this information to both sides of the aisle before the recent Senate passage of the bonding bill. I also included experienced opinions about the current state of internal professional affairs at the MHS, but that is a whole different ball game. Veteran journalist and writer from Helena, Pat Dawson, summed it up, "You don't build a \$1-million barn to house a \$10 mule.

I am not quite that clever, so I am only asking our legislators in the House to set aside the MHS mall bond funding until the entire matter can be completely studied with no loopholes or disastrous surprises. The mall is not about to disappear anytime soon, but the problems could last until the end of time.

Opinion and Documentation Presented to the Legislature on March 21, 2005

Key legislators also received this material via email prior to March 21, 2005, but after getting no responses I decided to deliver hard copies at the Capital building. The Senate then voted for the MHS mall project while slashing education programs...etc... And the house just passed it as well, but there was more dissent.

I also hand deliver a copy of this to John Morrison on March 21, 2005 as the Capital building.

Legislators:

Please check your email for new information on asbestos problems and other liabilities with the acquisition of the Capital Mall as a museum before moving forward on this proposal.

Additional note to Montana media agencies:

The following text was given to the Governor and various members of the House and Senate today. The cost of this project could possibly affect all Montana taxpayers. Feel free to contact me for additional information.

From: John Smart email: lamagonzo@hotmail.com ph: 406 442-1277

125 Humbolt, Helena, 59601 March 22, 2005

Dear Legislators:

I am writing this opinion document as a friend of the "old" Historical Society in the spirit of the original MHS mission. I am also very concerned with education in Montana having children and grandchildren in addition to state spending problems. The cost of higher education is now out of reach of the average citizen. I have worked a teacher in Montana from 1976-1981 and worked at the Montana Historical Society from 1981-1993. I first visited the state in the 1950's to run wild at my uncle's ranch near Lewistown.

There is a sudden and rushed plan to convert the Helena Capital Mall into a larger facility for the Montana Historical Society. I am presenting information that you may not be aware of due to the limited media coverage. The bonding which the MHS is requesting is just the beginning , but once there is an agreement with the mall owners there is no turning back. The MHS foundation can only hope for public support.

The mall is a complex piece of property to acquire. The land is owned by the Intermountain Deaconess School for Children and leased for the Capital Hill Shopping Center (Salt Lake City) managed by Westfield Properties. It is my opinion from research that the Capital Hill Shopping Center is in turn owned by the large Woodbury Corporation. It is also unknown whether the MHS proposal is to purchase just the mall building or the land as well. If the land is not in the package the MHS will probably pay an annual lease.

It is my opinion that the Capital Mall may have unknown structural or legal liabilities. The building has aged in many ways. However, it is very likely that there are dangerous and costly dilemmas with asbestos. We all know the human tragedy of Libby and the inability of W.R. Grace to solve the problems. It may be possible that asbestos is part of the ceiling tiles or other insulation applications common in the past.

Enclosed is a recent DEQ Press Release

FOR IMMEDIATE RELEASE

Sep 21, 2004

Chad Anderson

DEQ Enforcement

(406) 444-2711

<http://www.deq.state.mt.us/press/pressDetail.asp?id=103>

WESTFIELD PROPERTIES RESOLVES ASBESTOS CONTROL ACT VIOLATION

The Montana Department of Environmental Quality (DEQ) recently settled an enforcement action with Westfield Properties, Inc., the managing agent of the Capital Hill Mall in Helena, MT. Westfield paid the Department a \$1,750 civil penalty to resolve the violation of the Montana Asbestos Control Act.

In April 2003, the DEQ cited Westfield for its failure to ensure that a thorough asbestos inspection was performed by an accredited asbestos inspector prior to beginning renovations in a portion of the Capital Hill Mall. In its enforcement action, the DEQ noted the renovation had impacted suspended ceiling tiles, which are often a source of asbestos-containing material.

Montana requires owners and contractors to have an asbestos inspection completed by a state-accredited asbestos inspection before commencing the demolition, renovation or relocation of an existing public or commercial building. Owners and contractors must also obtain a permit from the DEQ for the removal of asbestos.

Enforcement Division (406) 444-2711. For more information on asbestos projects or permits, contact John Podolinsky, DEQ Asbestos Control Program, (406) 444-2690 or visit the DEQ website at www.deq.state.mt.us.

It is unfortunate that DEQ has not already shared this information with other state officials to the best of my knowledge. And if they have, this raises even more serious questions. After talking with D.E.Q. it is my opinion that the possible extent of asbestos problems in the Capital Mall has not been completely evaluated by an independent investigation having no conflict of interest from the owner or the purchaser. The state has mismanaged water quality studies for decades.

Any conversion work on the old mall will have unknown expenses and liabilities with this problem. It is my opinion after working with engineers on the expansion of the MHS in the 1980's that the current MHS structure meets archival environmental standards. At best, making the mall into a museum creates security and structural/environmental issues and aesthetic problems. Bank type vaults will have to be built. It would probably be cheaper to demolish the existing mall, but that would be difficult with wind drift and asbestos present. The list of problems and costs are unknown at this point. The cost of asbestos disposal is also unknown and is a very expensive process. To the best of my knowledge there is not even an asbestos disposal site in the region. Demolition of the building also poses potential asbestos risks.

Also, this comes at a time when western frontier tourism is dropping off in addition to higher gas prices around the corner. The larger mall conversion complex would also be more expensive to maintain and require additional salaried staff.

The funding potential of the MHS Foundation is a 30 \$Million dollar guess at the very least. We cannot expect the taxpayers to pay for a project that will require public funding in perpetuity, especially with all the unresolved risk factors. Also there are also unpredictable problems with simply moving all of the MHS artifacts to another location. Also, any "sacred" Scriver artifacts might be subjected to scrutiny under the Native American Repatriation Act, especially if placed on exhibit. Media exhibits will give more detail on this subject.

Enclosed is a relevant article by Pat Dawson , a freelance writer who has worked for Time Magazine.

MHS needs audit

by Patrick Dawson

Wednesday, March 09, 2005

To the Editor:

Promoting a new Montana Historical Society complex in the aging Capital Hill shopping center raises questions that should be addressed before Montana taxpayers are plunged into a long-term commitment of dubious value. For starters, those 13 acres of prime commercial real estate would be removed from the tax rolls and would have to be made up elsewhere.

As a Helena native who vividly recalls the grand opening of the current museum building, I have watched the ups and downs of the Society over the past 50 years and am obliged to react to this hastily drawn scheme.

Based on observations and conversations with former staff and other professionals, it appears that MMS's current collections are not being adequately curated or accounted for in the current facility.

Consensus is the professionalism level among MHS management is not nearly the caliber as, for example, when esteemed historian K. Ross Toole ran the Society.

The politically appointed board of directors has perpetuated a conservative, royalist approach to Montana history. There has been unquestioning acceptance of corporate viewpoints, thanks to many members' business affiliations.

Citing the success of the Buffalo Bill Historical Center in Cody is ludicrous when applied to this project. The infrastructure of that well-endowed empire was designed from the ground up on the route to the east entrance of Yellowstone National Park and, because of the heavy, captive-audience traffic, benefits as a

high-class tourist trap, drawing more than \$2 million in paid admissions a year.

BBHC's collections and assets are valued at \$55 million, and the museum realizes annual dividends from about \$42 million in stocks and bonds. Between 1998 and 2001, it received donations and grants totaling \$46.8 million. Its board of directors includes locals such as former U.S. Sen. Alan Simpson, plus national corporate executives, financiers and Vice President Dick Cheney.

Helena is not on such a well-traveled tourism route as Cody, and the picture only worsens as oil prices rise.

Before acquiring a large complex fraught with security and maintenance issues, I suggest a comprehensive legislative audit of MHS collections, library, management and staff qualifications and finances. You don't build a \$1-million barn to house a \$10 mule.

MHS priorities appear, in my opinion, to be misplaced. For instance, when I was invited last year by the MHS Press to submit my thoroughly sourced draft manuscript on the history of the Montana Power Company, including the aftermath of its demise, I did so out of loyalty to my home state. But when it was returned, rejected for being "too soon," I was baffled. Does the MHS Press want to wait until all players are dead and much documentation gone? Was the MHS Press alarmed because my history names, and some of the MHS directors might be upset?

Let's get our state's historical priorities in order and insist on high standards and accountability first before rushing into debt to erect a substandard tourist trap.

Patrick Dawson

2811 Manhattan Dr.

Billings

As you may know, the Museum of the Rockies has left the MHS in their shadow their original projects and a highly qualified staff with national recognition and educational credentials. It is my opinion that an audit of the MHS might turn up employees without even essential educational qualifications for their job descriptions. National-class staff is essential to a great museum in addition to a clear mission and expert leadership. It is my opinion, that for some unknown reason the MHS has been unable to acquire the national traveling Lewis and Clark Exhibition which is an incredible loss to the people of Montana.

I trust you will enjoy my sense of humor in the following article that I wrote with some help. I am a fan of the folk wisdom and humor of Mark Twain and Will Rogers. Also, a fiscal review of the MHS Foundation

may very well reveal that after 20 years of fund raising they have little to show for their efforts which reflects minimal public confidence and interest and very substantial "expenses". Word travels fast.

COUNTERPOINT Great Falls Tribune, March 13, 2005 by: John Smart

When political wizards at the legislature suddenly agree on the same idea, someone should be asking questions. Folk wisdom tells that lemmings go over the cliff together. Or as Will Rogers once said, "I don't make jokes. I just watch the government and report the facts."

After teaching high school and college in Montana I thought my dreams had come true when I became the staff photographer for the prestigious Montana Historical Society in 1981. But, twelve years inside the system revealed the painful truth that politics rides herd over professional competence and the public good. In a bureaucracy no good deed goes unpunished. I am not surprised our new governor is having trouble passing a moderate ethics bill.

While our bankrupt educational system is tossed around like a hot potato, a flagship plan has emerged to

move the MHS into Helena's old mall. For months, only one side of the story has been told by the local media. Meanwhile, many essential legislative issues remain unresolved. Education is our children's future and the cornerstone of a changing economy yet funding is being withheld. Many classrooms even lack

current history texts while our teachers are among the lowest paid in the nation and are leaving for greener pastures.

The MHS mall madness now has a full head of steam like a train headed for a canyon when the bridge is out. Like deregulation, the plan is not being questioned. Influenced by now-or-never pressure tactics, legislators are on the verge of supporting a \$10 Million no-bid purchase for what is little more than parking lot. The old mall building itself has neither the architectural beauty or archival and security requirements necessary for a genuine museum. But local entrepreneurs hope to profit by creating a revamped tourist attraction.

The Historical Society Foundation claims they can raise \$30 Million in matching funds to complete the mall project. But for twenty years, the foundation has generated surprisingly high expenses with little to show as net assets. Raising \$30 million would be a miracle of epic proportions. They should first be audited on past performance to insure their ability to make good on a risky proposal. Odds are the public will be saddled with the unknown expense of retrofitting the mall. Once the property is purchased there is no turning back.

For comparison, the 1997 Virginia City bailout remains an example of tourism property purchased for top dollar but is now maintained in perpetuity by your taxes. Virginia City never generated projected profits and managers have yet to catalog \$5 Million in artifacts required by their legal mandate. We were led to believe the purchase was a viable use of public money.

The glorified spin driving the mall project is centered on making exhibit space for the Poindexter abstract art collection and Scriber artifacts from Browning. Not everything in those collections meets exhibition standards. The best could be displayed without inflating spending. More space at the MHS is available by replacing the enormous Haynes photographic installation with new exhibits. The original MHS historic museum wing could be expanded by adding a handsome second story. There is room for a multi-level parking lot behind the MHS meeting all needs for a fraction of the mall conversion cost.

Yet even if the public actually requests and supports a new MHS building, the mall property is a bad choice. Cheaper land exists in the Helena valley near freeway exits or east of the city. This could be ground for an elegant museum complex designed properly from the beginning serving Montanans, historians and tourism. This would also allow more time for intelligent planning and accountability. The mall's prime commercial

land could generate tax revenue forever and employees would not lose their jobs. Generally, museums never pay for themselves and require generous private support.

Above all, a great museum requires national-class management with unquestionable integrity. Past governor-appointed MHS boards have pushed private agendas while rejecting highly qualified directors in favor of yes men. Native American and other historical issues were suppressed by industry and due to antiquated historic views. Recently, rare MHS library manuscripts were relocated despite objections from staff with decades of knowledge. Experienced library catalogers have been discharged but there is a new interest in collecting cookbooks.

During the early eighties the MHS had a talented PHD historian as director who was eventually invited to resign and went on to improve the Missouri Historical Society. Gradually, the previous highly experienced and motivated MHS staff either burned out or were forced out by indifferent but politically correct directors. There is presently more administrative overhead with fewer experienced scholars and the present director is a PHD wildlife expert cracking the whip over a "reorganized" staff.

Despite the forecast of drought this year, I would hang on to your raincoat. Taxpayers just might get soaked by power politics. But for those who still recall the true legacy of the Historical Society, there could be a bright new day. Make democracy work and let your legislators know what you think about government spending and the future of your museum.

It is also worth noting that the much praised Scriver collection includes duplicate bronzes and unimportant books. Scriver liquidated over a \$Million in the finest artifacts to a Canadian museum in the 1990's. Also much of the Poindexter collection is of questionable exhibition quality apart from the great works.

Enclosed is a recent Virginia City audit:

<http://leg.state.mt.us/textonly/audit/summary/02p-08.asp>

Legislative Audit Division

Report Summary

Virginia and Nevada City Historic Site Management

Montana Heritage Preservation and Development Commission Montana Historical Society

Performance Audit

Audit Number 02P-08

Introduction : At the request of the Legislative Audit Committee, we examined activities of the Montana Heritage Preservation and Development Commission (the Commission) in relation to its management of Virginia and Nevada Cities. Initial questions focused on whether the historical properties were being managed to become self-sufficient and operated in a manner consistent with the original legislation.

Background On April 23, 1997, the Montana legislature authorized the purchase of the Bovey properties in Virginia City and Nevada City for \$6.5 million (\$5 million for the artifacts and \$1.5 million for the buildings and land). The purchase was finalized in May 1997, resulting in state ownership of about half the

historic structures in Virginia City and all of Nevada City. The Montana Heritage Preservation and Development Commission was established primarily to manage the sites. The Commission was attached to the Montana Historical Society for administrative purposes and consists of 14 members.

Site Revenues and Expenses Due to the remote location and long winters of Virginia City and Nevada City, the tourist season for the sites is primarily limited to a three-month window (June through August) with some activity during the Christmas season. Earned revenues have been increasing over the past six years. Annual revenues are now approximately \$300,000.

Overall operation expenses have fluctuated in the past six years, depending on availability of funding and operational changes. Total expenditures were approximately \$760,000 in FY 1999, \$840,000 in FY 2000 and \$1.2 million for both 2001 and 2002. The majority of site expenses are staff salaries and benefits (approximately \$650,000). Although site revenues have increased, operational expenditures cannot be fully supported without the bed tax.

The Commission currently must rely upon the bed tax support (\$400,000/year) to help fund operations. Although this funding support is currently mandated to end in fiscal year 2007, it is clear site operations would have to be significantly scaled back without this support. Staffing levels, marketing efforts, and visitor services could not be maintained at their current levels. Currently the statutes indicate General Fund money will not be provided for the operation and maintenance of the sites. But there are no specific restrictions on continued support from other sources including the bed tax. After six years of operation, the legislature now has more information available to make informed decisions. We believe the legislature should re-evaluate their intent in this area.

Have Business Controls Encouraged Profitability Section 22-3-1003(1)(f), MCA, states "management activities must be undertaken to encourage the profitable operation of properties." To examine this area, we reviewed the types of business-like controls developed by the Commission to direct profitable activities.

In an effort to achieve site profitability, the Commission has requested various studies and plans. These studies addressed a wide range of topics including marketing, building prioritization, stewardship, etc. But the major emphasis of these studies focused on site management and increasing economic self-sufficiency. We used these studies as criteria or benchmarks for highlighting priority areas/controls for Virginia City and Nevada City operations.

Overall, we found many of the study recommendations have not been implemented with regard to the priority areas or suggested business controls. This is illustrated in several ways:

A full-time on-site manager position has not been created to ensure consistency and accountability in day-to-day operations as recommended in the Commission's Preservation and Interpretation Strategy.

Only 4,000 artifacts (with 500,000-1,000,000 estimated) have been formally entered on the Commission's database in six years. Inventory issues relating to resource support, staff priorities, and site maintenance cannot be resolved. Projections from Commission staff range from 3 to 217 years to complete the inventory.

Development of staff controls has been limited. No performance appraisals and limited review of staff productivity illustrate a general lack of management emphasis. Personnel management is addressed in all the management plans developed for the Commission.

Conclusion: Business Controls Need To Be Implemented As one commissioner suggested "the project has matured and it is time for the management system to mature with it." In general, interviews with stakeholders and review of Commission minutes suggested limitations with current site management. A 14-member commission that meets four times a year has difficulty providing the hands-on attention sites as dynamic and complex as these require. Several steps are needed to assure compliance with legislative intent as well as to improve/strengthen Virginia City and Nevada City business controls. These steps include:

Developing a system of staffing controls.

Allocating staff to address priority workload areas.

Consolidating property ownership and management.

Establishing a timeline and method for completing the artifact inventory.

What are the Site Management Options? During the course of this audit, several options were raised by stakeholders regarding changes needed in site management. Commission members and other involved stakeholders outlined four options for providing a future approach to site management. Some commissioners believe the Historical Society should be removed from the current management structure and the Commission could assume all responsibilities. Another suggestion was made to dissolve the Commission. Subsequently, the Historical Society could assume all management responsibilities related to Virginia City and Nevada City. A third suggestion was to move site management to the Department of Commerce to provide a tie with economic development and tourism. A fourth option suggested was management by the Department of Fish, Wildlife, and Parks (FWP) through the Parks Division. We specifically examined each of these options. Based on this review, we believe the Parks Division has more controls in place and experience to support this type of operation than the other options.

Site Management Could Be strengthened by Transferring Control to the Parks Division Within Montana, the Parks Division has experience in managing diverse historic and cultural sites such as Bannack and Chief Plenty Coups State Parks. Although these sites are not as complex and diverse as Virginia City and Nevada City, the division has developed a methodology for site management to assure a level of accountability and consistency statewide. In addition, the Parks Division has resources available for managing sites not available in a small agency such as the Historical Society and experience in concessionaire management. Supportive services such as legal, information systems, construction/design, and land agents are all available for state parks use. The suggested controls needed for Virginia City and Nevada City are currently utilized at state park operations. We believe there are specific areas at Virginia City and Nevada City where the Parks Division could provide strong oversight and management.

Conclusion: Management Structure Could Be Strengthened We believe a transfer of Virginia City and Nevada City management to the Parks Division warrants legislative consideration for several reasons including:

No other government operation appears to have a site management system that is as comprehensive and compatible.

Stakeholders are frustrated with the current lack of structure/business approach.

Similar operations across the nation are operated as state parks.

Operations will likely become more effective in addressing planned development and preservation goals.

A transfer in management responsibilities would clarify the current dual management roles and streamline state governance of these historical sites. Management staff within the Department of Fish, Wildlife, and Parks and the Society has indicated a willingness to support this transfer and change in management structure.

We believe the future role of the Commission should change to adopt a structure similar to an advisory council or a private foundation. The commission would not be responsible for day-to-day oversight or staff supervision responsibilities but would focus on general site development and financial support.

Conclusion: Commission Role Should Be Changed Overall, we believe the duties of the Commission should