

# Audit Highlights



Highlights of performance audit report on the Division of Museums and History issued on November 19, 2015. Legislative Auditor report # LA16-03.

## Background

The Division of Museums and History is a division of the Department of Tourism and Cultural Affairs. Its mission is to engage people in the cultural and natural history of Nevada so they may celebrate the past, learn from it, and develop perspective for present and future generations. The Division is responsible for the collection, preservation, education, community development (cultural tourism), interpretation of objects and documents representing Nevada's history and pre-history, and the development and preservation of these collections for the public, now and in the future.

The Division consists of the Office of the Administrator, six museums, and a historical society. Funding for the Division is provided from several different sources. State money includes general fund appropriations, room tax transfers from the Commission on Tourism, museum admissions, and train ride fees. The Division also receives funding from a dedicated trust fund, which generates revenues from museum store sales and memberships, gifts and donations, curatorial and archival services, photography and publication sales, investment income, and other sources.

For the 18 months ending December 31, 2014, the Division's revenues amounted to over \$11.7 million, with \$9.8 million in state money and \$1.9 million in private money. As of December 31, 2014, the Division had 78 filled positions.

## Purpose of Audit

The purpose of this audit was to evaluate controls over the Division's museum store merchandise and museum revenues. Our audit focused on the state museums in Carson City and Las Vegas and the railroad museum in Carson City for the 18 months ending December 31, 2014.

## Audit Recommendations

This audit report contains seven recommendations to improve controls over museum store merchandise and museum revenues.

The Division accepted the seven recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on February 19, 2016. In addition, the six-month report on the status of audit recommendations is due on August 19, 2016.

# Division of Museums and History

## Department of Tourism and Cultural Affairs

### Summary

Improvements can be made to strengthen the Division's controls over its store merchandise. We reviewed store merchandise controls at the Carson City State Museum, Carson City State Railroad Museum, and Las Vegas State Museum and found a lack of policies and procedures over store inventory processes and adjustments to merchandise inventory records were not adequately reviewed. Additionally, control weaknesses found at the Las Vegas State Museum led to inaccurate merchandise inventory records. Stronger controls are also needed over the accounting for commemorative medallions at the Carson City State Museum. Strengthening store merchandise inventory controls would help ensure merchandise is accurately accounted for and safeguarded against loss or theft. The total cost of inventory at the three museum stores tested was about \$115,000 on June 30, 2014.

Although we found all money collected was deposited at the three museums tested, we did find some control weaknesses. Improvements can be made regarding the timeliness of deposits, reconciling receipts to deposits, and updating written policies and procedures. Good revenue controls minimize the risk of revenues being lost or stolen. For the 18 months ended December 31, 2014, the Division's museums collected over \$1.5 million.

### Key Findings

For the three museums tested, we found a lack of written policies and procedures over each museum store's inventory processes. Although limited procedures were developed for processing merchandise sales in the store's point-of-sale (POS) system, procedures for purchasing and maintaining accurate merchandise inventory records did not exist. (page 6)

Adjustments made to merchandise inventory records were not adequately documented and reviewed. We found 30 of 214 adjustments (14%) to the amount of store merchandise on hand could not be adequately explained. Of the remaining 184 adjustments, almost all were explained by museum staff, but not documented for review and approval. Documenting these changes and having an independent person review them, helps ensure adjustments are reasonable. Reviewing adjustments also identifies merchandise consistently being adjusted and thereby potentially needing enhanced security to prevent loss. (page 8)

For the Las Vegas State Museum, we found additional store merchandise inventory problems. The fiscal year 2014 physical inventory was not conducted properly, and inventory adjustments were not made to reflect the physical count. Staff identified 295 of 817 items (36%) that required a quantity adjustment in the system. Without written guidance and supervisory oversight, staff were unsure of how to make these adjustments and did not make them. We also identified merchandise purchases not properly recorded in the POS system. For the 18 months ending December 31, 2014, we identified 6 of 10 purchases, of a total of 65 purchases, that were not properly recorded in the POS system when received. The 6 purchases improperly recorded involved 28 items totaling \$1,800. These control weaknesses increase the risk of undetected theft and loss, unexpected shortages of merchandise, and unnecessary purchases of items already on hand. (page 9)

Control weaknesses were identified in the accounting for commemorative medallions. Staff duties in the minting process were not segregated and no physical inventories were performed of stored blanks and medallions. A lack of policies and procedures contributed to these weaknesses and are needed to help ensure these assets are properly accounted for. (page 11)

At the three museums tested, we found deposits were not always made timely. We reviewed 100 days of cash receipts from admissions, train rides, and store sales and found 44 of 140 deposits (31%) totaling over \$8,200 were not made timely in accordance with state law. The deposits ranged from 1 to 14 days late, with an average of 4 days late. (page 15)

Receipts collected at museums are not reconciled to deposits by an individual independent of the cash receipting functions. The individual preparing the deposit is the last person to have access to the daily cash register tapes and reports, and no one else reviews this information to ensure all money received has been deposited. Without this control in place, management lacks assurance that all receipts have been deposited. (page 15)

The Division's revenue policies and procedures have not been updated in more than 7 years. Several differences were identified between written procedures and actual processes we observed. Since the same individuals have been performing the key revenue functions for several years, updating policies and procedures has not been a priority. Management indicated they have begun updating some policies and procedures. (page 16)