



City of Springfield, Missouri



Springfield Art Museum Operations Internal
Audit
Fieldwork December 2018



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS



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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

August 21, 2019

Finance and Administration Committee
City of Springfield
840 Boonville Ave.
Springfield, Missouri 65802

Re: Springfield Art Museum Operations Internal Audit

Dear Committee Members:

In conjunction with our overall engagement to provide internal audit services to the City of Springfield ("City"), we have completed our internal audit of the Springfield Art Museum operations and the associated internal controls. Our services were performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors (IIA).

The accompanying report includes an Executive Summary, our Observations and Recommendations and an Appendix. Because the procedures performed in conjunction with the internal audit are more limited than would be necessary to provide an opinion on the system of internal accounting controls taken as a whole, such an opinion is not expressed. In addition, the engagement did not include a detailed audit of transactions that would be required to discover fraud, defalcations or other irregularities.

This report is intended solely for the information and use of management and the City Council and is not intended to be, and should not be, used by anyone other than the specified parties. City of Springfield external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities. In addition, we understand that the City may be required to make our report, once finalized, available under sunshine laws.

We would like to express our gratitude to all employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

RUBINBROWN LLP

A handwritten signature in black ink that reads "Christina Solomon".

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cc: Nick Nelson David Holtmann
 Jody Vernon



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Executive Summary

Project Overview and Scope

We have completed our Springfield Art Museum (“Museum”) operations internal audit for the City. The objectives of our audit were to:

1. Ensure adequate internal controls exist over cash receipts and inventory and that the controls are operating effectively.
2. Evaluate Museum processes for operating efficiencies and applicability of best practices.

In order to achieve the objectives above, we completed the following activities:

- Identified and evaluated existing policies and practices in place for the Museum’s cash receipts and inventory processes.
- Performed in-person interviews with Museum personnel in order to gain an understanding of the business processes for cash handling, asset inventories, educational services, and exhibitions.
- Performed testing on a sample basis of a limited number of transactions from January 1, 2018 through August 31, 2018 to ensure procedures are operating as documented:
 - Matched 10 inventory items from the Museum’s vault/floor to the inventory listing and matched 10 items in the inventory listing to their location in the vault/floor.
 - Reviewed 20 gift shop cash receipt reconciliations for proper supporting documentation. The transactions included in the reconciliations included cash, check, credit card and online payments.
 - Reviewed ten refunds and voids for Supervisory approval and documentation of the reason for the refund/void.
 - Evaluated system access to the point-of-sales system (i.e. Talech) and the inventory system (i.e. PastPerfect) to determine if access was appropriate based on job function.
 - Evaluated physical access to the Museum to determine if access was appropriate based on job function.
- Reviewed segregation of duties for cash handling and the inventory management process.



Background

The Springfield Art Museum is located in Phelps Grove Park, east of Downtown Springfield. There are 20 employees and over 10,000 pieces of art work in the permanent collection. The Museum's operation is separated into three sections: 1) Collection and Exhibition 2) Education and 3) Administration. The Museum is admission free. Revenue is generated via operating funds received from the City's general fund, donations, education services, facility rentals, special exhibition events, and gift shop operations.

Best Practices

Based on discussions with management personnel, the following key processes are in place at the Museum and represent best practices:

- The Museum has a multi-layered security system that is alarmed. The Museum also contracts with a third party security service provider to perform random security checks of the building outside business hours.
- The vaults that store collections at the Museum building have object IDs that separate loaned items from permanent collections, and also include the years and order number of the items received. Collection items also have specific locations, such as a vault number, shelf number, and shelf level that allow items to be located more quickly by the Registrar.

Observations and Recommendations

We noted the following observations during our review:

- We tested 20 daily cash receipts and found that we were unable to trace 15 receipts to daily deposits on bank statements at the City Finance due to the way the receipts were reconciled.
- An examination of refund and void transaction receipts found the following:
 - No evidence of management review and approval as required by the Financial Control Procedures for three of ten sampled refunds/voids;
 - No supporting documentation was retained regarding the reason for three of seven online refunds.
- We sampled 20 permanent and loaned artwork inventory items. We found a discrepancy between the location of one piece of art as recorded in the system and the actual location of the piece.

All observations and recommendations were discussed with management. Details are noted in the tables attached immediately hereafter.

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 Observations and Recommendations



#	Process/Procedure	Observation and Risk	Recommendation	Management Response
1	<p>Each day the Executive Secretary performs a cash receipts reconciliation of the previous day's gift shop receipts by verifying the previous day's receipts against the Talech record. When payments received exceed \$100, the Secretary creates a remittance spreadsheet and records payments received in cash, check, and credit card separately. After the reconciliation, the receipts are delivered to the Finance Department and the actual copy of the transaction receipts are maintained at the Museum.</p>	<p>Observation: For 15 out of 20 sample dates tested, daily cash receipts at the gift shop cashier do not agree with daily deposits on the bank statements. We could not obtain the completed reconciliation form performed at the Museum as required by the Financial Control Procedures (See Appendix).</p> <p>Additionally, we noted that the Museum cash received is not delivered to the City on a daily basis. Deposits are submitted when they exceed \$100. Because daily deposits are not provided, we could not reconcile deposits to daily City Cashier records, and subsequently to cash deposits on the bank statement.</p> <p>Risk: Misappropriation of assets.</p>	<p>Perform cash reconciliation on a daily basis using the required forms in the Financial Control Procedures (See Appendix).</p> <p>Deliver the cash receipts on a daily basis to the City Cashier.</p>	<p>Executive Secretary</p> <p>The Executive Secretary will perform cash reconciliations on a daily basis using the required forms in the Financial Control Procedures and will deliver the cash receipts to the City Cashier when collections exceed \$100 or at a minimum of a weekly basis. This will begin 2/22/19.</p>

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#	Process/Procedure	Observation and Risk	Recommendation	Management Response
2	Per the City's Financial Control Procedures refunds and voids shall be reviewed and approved by division management and the reason documented.	<p>Observation: We tested 10 refunds and voids that occurred during the in-scope period and found:</p> <ul style="list-style-type: none"> • Three of ten refunds/voids did not have evidence of review and approval by management; • Seven of the transactions were online payments refunds. For three of seven transactions, written communication with the customer explaining the reason for the refund was not retained. <p>Risk: Misappropriation of assets.</p>	Ensure that the reasons for, and review of, customer voids and refunds are properly documented as required by the City's Financial Control Procedures.	<p>Museum Director</p> <p>All online refunds will be submitted for approval by the Museum Director via email. Emails will include the reason for the refund along with any correspondence between Museum staff and the customer being issued the refund. Refunds and voids issued through the Museum's onsite point-of-sale will be approved through the same process and a refund/void log that will enable the tracking of refunds and voids to receipts will be kept by the Museum. These changes will go into effect immediately, 3/5/19.</p>

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#	Process/Procedure	Observation and Risk	Recommendation	Management Response
3	Permanent and loaned artworks are inventoried and tracked using an inventory system. The Registrar is responsible for adding, removing, and updating inventory logs in the system as well as assigning locations of artwork in the vaults.	<p>Observation: One of 20 sampled artworks was not correctly recorded the inventory system. The piece was located on side B of the shelf but was documented on side A in the system.</p> <p>Additionally, through discussions with the Registrar, it was determined that a regular inventory of the vaults does not take place.</p> <p>Risk: Misappropriation of inventory assets.</p>	Conduct periodic inventory counts of the vaults in order to reduce the likelihood of errors in the inventory system. These counts can be performed in cycles, for example one fourth of inventory per quarter, to reduce the productivity impact on staff.	<p>Registrar and Curator of Art</p> <p>The Museum's Registrar will conduct a full inventory of the collections periodically. Outside of the inventory, both the Registrar and Curator will spot-check the collection on a regular, on-going basis. Additionally focused inventories will be conducted as needed after significant object moves: exhibition installations/de-installations or larger collection moves on an ongoing basis. Focused inventories and spot-checks have already begun.</p>

