



Date: November 27, 2002  
To: Ed Kitchen, City Manager  
From: Internal Audit  
Subject: Greensboro Historical Museum, Inc.

We have performed an audit on selected cash receipts and disbursements for the Greensboro Historical Museum, Inc., a non-profit entity operating under Section 501 (c) (3) of the Internal Revenue Code. We reviewed the financial statements for the years ended December 31, 1996 - 2001, and related supporting documentation. These statements were audited by Davenport, Marvin, Joyce & Co., LLP in years 1996-2000, and Cherry Bekaert & Holland CPAs in 2001. The Greensboro Historical Museum ("Museum") is a unique public/private partnership between the City of Greensboro and the Greensboro Historical Museum, Inc. ("GHM, Inc."). The Museum serves the Piedmont and surrounding communities and is committed to collecting, exhibiting, conserving, and presenting to the public historical programs relating to area history.

The purpose of this audit was to:

- Verify that cash receipts were properly recorded and promptly deposited.
- Verify that cash disbursements were supported with relevant documentation, and that they were properly authorized.

The City of Greensboro provides the Museum with a major part of its annual resources of \$748,500, which includes salaries for the ten City personnel employed by the Museum and use of the land and buildings where the Museum is located. These expenses are paid directly by the City and are included in the City's operating budget under the auspices of the Greensboro Public Libraries. In 2001, Greensboro Historical Museum, Inc. received total reported revenues of \$182,969 from memberships, contributions, Museum sales, and special events.

#### **FINANCIAL AND CONTRACT ADMINISTRATION**

The City's Museum Business Manager also serves as the Business Manager for GHM, Inc. and receives cash receipts, makes deposits, records receipts and disbursements, and reconciles the bank statements. The GHM, Inc. maintains two separate interest-bearing checking accounts: one for the day-to-day operations of the Museum ("Operating Account") and one for fundraising receipts and disbursements ("Capital Campaign Account"). All checks disbursed from both

accounts require two signatures: the City's Museum Director and an officer of the GHM, Inc.'s Board of Trustees.

### **Cash Receipts**

We examined 31 deposits tickets (totaling \$45,696.38) prepared for deposit to the Operating Account from October 1, 2001 through December 31, 2001 to ensure that deposits were promptly made. This represented approximately 26% of total revenue collected in 2001. Sixteen of the 31 deposit tickets examined had a difference of three or more days between the date it was prepared and the date it was received by the bank.

The Business Manager indicated that the chart of accounts for the Museum has detailed breakdowns as to where and how monies are to be categorized – both incoming and outgoing. She stated that the Museum's reporting software would not allow the same date to be used on deposits (made within the same day) without reporting the deposits in total, rather than as individual line items as needed for reporting purposes. In order to properly categorize all monies received, it is necessary for her to separate deposits into individual categories with different deposit dates. For example, separate deposit tickets (with two different deposit dates) are prepared for special funds received from *Save America's Treasures* and funds received from memberships, even though the monies are received, prepared for deposit, and deposited within the same day. The Business Manager stated the differences in the dates used are strictly a device used to keep the software reporting precise.

### **Cash Disbursements**

Chart A illustrates a 34% increase in total expenditures from 1999 to 2000, resulting from the acquisition of a new military exhibit. We examined all expenditures made to the Acquisitions-Military History & Transportation Account in 2000 to ensure the all expenditures were supported with relevant documentation, and properly approved. Except for one \$50 check disbursed which did not have two authorized signatures, there were no other exceptions noted.

Although total expenditures for 2001 declined 28% from 2000, we observed that the non-profit corporation's 2001 capital campaign expenses increased approximately 217% from expenses reported in 2000. This results from a \$173,500 contract entered between William Hinman Consulting (the Consultant), a certified professional fundraising firm in Winston Salem, North Carolina, and the Greensboro Historical Museum, Inc. The Consultant was hired to aid the Museum in launching a capital campaign drive and improve endowment funding. This contract covers the period of June 1, 2000 through December 31, 2001. Services and costs for the project were divided into three phases:

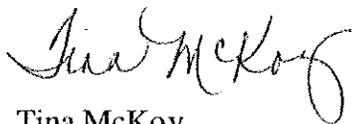
- I. Pre-Campaign Planning and Preparation Activities - \$7,500
- II. Feasibility Study - \$16,000
- III. Capital Campaign Management - \$150,000

Phases I and II were completed by the Consultant, and expenditures of \$23,500 were paid from the Capital Campaign Account in 2000. On Phase III, \$125,000 was paid to the Consultant to conduct the campaign. However, the campaign was postponed by the Board of Trustees because they did not find the leadership they wanted for the campaign. The Consultant provided a letter detailing expenses of \$30,000, and he stated that the balance of \$95,000 has accrued towards the drive itself.

Finding: The contract was signed by the City's Museum Director and the Consultant on May 22, 2000. The \$95,000 has been expended for services that have not been rendered.

Recommendation: A separation of duties should be maintained between City employees and the financial and contract administration of Greensboro Historical Museum, Inc. Also, the non-profit organization should request the remaining \$95,000 from Bill Hinman Consulting until the project is started again.

We would like to thank the employees of the Greensboro Historical Museum for the courtesy and cooperation shown us during this audit. If you have any questions or concerns, please contact us at 373-4528.



Tina McKoy  
Internal Auditor



Jacky Dowd  
Internal Audit Director

Cc: Mitchell Johnson, Assistant City Manager  
Linda Miles, City Attorney  
Sandy Neerman, Library Director, Greensboro Public Libraries  
William Moore, Greensboro Historical Museum

CHART A

### GREENSBORO HISTORICAL MUSEUM, INC. Total Revenues vs. Total Expenditures and Other Deductions

