



J.M. DAVIS

MEMORIAL COMMISSION

## Operational Audit

For the period of February 1, 2012 through June 30, 2018

**Cindy Byrd, CPA**  
State Auditor & Inspector

**Audit Report of the  
J.M. Davis Memorial Commission**

**For the Period  
February 1, 2012 through June 30, 2018**

January 28, 2019

**TO THE J.M. DAVIS MEMORIAL COMMISSION:**

We present the audit report of the J.M. Davis Memorial Commission for the period February 1, 2012 through June 30, 2018. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Sincerely,



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



# J.M. Davis Memorial Commission Operational Audit

## Background

The duty of the J.M. Davis Memorial Commission (the Agency) is to house, preserve, and display the J.M. Davis Gun Collection and other artifacts. Oversight is provided by a five-member commission (the Commission) appointed by the Governor with the advice and consent of the Senate. The Commission pays for its operations through state appropriations, gift shop revenue, and donations.

Commission members as of December 2018 are:

William R. Higgins ..... Chair  
 Dr. Keith Ballard ..... Member  
 Denny Haddox ..... Member  
 Hays Gilstrap ..... Member  
 Rick Mosier ..... Member

The following table summarizes the Agency's sources and uses of funds for fiscal years 2017 and 2018 (July 1, 2016 through June 30, 2018).

**Sources and Uses of Funds for FY 2017 and FY 2018**

	2017	2018
<b>Sources:</b>		
Appropriations	\$ 247,802	\$ 230,779
Private Grants & Donations	111,608	82,792
Merchandise Sales	15,233	15,666
Other Sources	55	105
<b>Total Sources</b>	<b>\$ 374,698</b>	<b>\$ 329,342</b>
<b>Uses:</b>		
Personnel Services	\$ 233,452	\$ 211,288
Administrative Expenses	55,306	70,756
Professional Services	14,189	15,272
Transfers and Other Disbursements	7,339	12,794
Property, Furniture, Equipment	65	5,226
Assistance, Payments to Local Govn'ts	-	1,200
Travel	262	607
<b>Total Uses</b>	<b>\$ 310,613</b>	<b>\$ 317,143</b>

*Source: Oklahoma PeopleSoft accounting system (unaudited, for informational purposes only)*

# J.M. Davis Memorial Commission Operational Audit

## Scope and Methodology

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period February 1, 2012 through June 30, 2018.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the J.M. Davis Memorial Commission's operations. Further details regarding our methodology are included under each conclusion.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

## OBJECTIVE

Determine whether the Agency's internal controls provide reasonable assurance that revenue and inventory were accurately reported in the accounting records.

## Conclusion

The Agency's internal controls do not provide reasonable assurance that revenues and inventory were accurately reported in the accounting records.

## Objective Methodology

To accomplish our objective, we performed the following:

- Visited the Agency, discussed processes and controls with management and staff, and reviewed relevant reports and documentation from the Agency as well as the statewide accounting system.
- Evaluated processes and identified significant internal controls related to revenues. See results in related finding.
- Evaluated processes and identified significant internal controls related to inventory. See results in related finding.

**FINDINGS AND RECOMMENDATIONS**

**Improved  
Reviews and  
Documentation  
Needed to  
Ensure All  
Revenues Are  
Deposited**

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 Revision)<sup>1</sup> states, "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities of authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."

The account clerk is responsible for:

- Receiving funds from customers in the gift shop, as well as retrieving funds from the gift shop register each day.
- Running the gift shop register z-tape.
- Collecting funds from the donation boxes.
- Completing and signing the daily revenue sheet.
- Preparing the daily deposit.

This level of control could allow the account clerk to misappropriate gift shop sales or donation box funds and exclude them from the deposit. Although the executive director indicated he reviews the deposit prior to taking it to the bank, he does not sign the deposit documentation indicating his review. We were therefore unable to verify this occurred.

Another key aspect of the Agency's revenue process is that two employees unlock the museum's donation boxes and collect donated funds together. However, only the account clerk signs the daily revenue sheet listing the amount collected. Without a second employee signature on the deposit testwork, we were unable to verify that this control was properly implemented.

**Recommendation**

We recommend the executive director review the deposit documentation prior to delivering the deposit to the bank. This review should include ensuring gift shop revenues agree to the register tape and documentation of donation box funds is signed by multiple parties who accessed those funds together. The director's review should be documented, for example with a signature and date on the daily revenue sheet, and documentation of the review retained.

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<sup>1</sup> Although this publication addresses controls in the federal government, this criterion can be treated as best practices. The theory of controls applies uniformly to federal or state government.

**Views of Responsible Officials**

We concur with the finding.

**Independent,  
Comprehensive  
Artifact  
Inventory Count  
and Related  
Reviews  
Recommended**

The GAO *Standards* state, “Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.” The *Standards* also explain that in order to safeguard vulnerable assets, “Such assets should be periodically counted and compared to control records.”

The museum curator is responsible for receipting items, tagging inventory, maintaining inventory records, and performing all inventory counts. The results of inventory counts are not reviewed by management. As a result, the curator could misappropriate an inventory item without detection.

Comprehensive inventory counts are not conducted on an annual basis due to the large size of the museum’s artifact inventory. Using the Agency’s current randomized inventory count approach, some items may not appear on a count list for many years. This could result in missing or damaged items not being noticed in a timely manner.

**Recommendation**

We recommend management have inventory counts conducted by one or more employees *not* responsible for receipting and tagging items or editing the inventory list. An independent authority should review the results of each count, ensuring changes are appropriate. This reviewer should be aware of acquisitions made by the Agency during the count’s timeframe. Documentation of the count and approval should be retained.

We also recommend management consider procedures to ensure all artifact inventory is covered by inventory counts. This could involve ensuring randomized inventory counts are designed to cover all items over a certain period of time, or that a comprehensive count is performed at appropriate intervals.

**Views of Responsible Officials**

We concur with the finding.



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