

Audit Report: 1003298

Finding Number: 001

Finding: The Agency lacks adequate internal controls, including monitoring and oversight of its financial operations, to safeguard public resources.

Resolution: The Historical Society is strengthening internal controls in accounts receivable, cash receipts, accounting and payroll system access, and the purchase card system. Through policy and procedures updates and a revenue collection system upgrade, the Historical Society made the following changes:

- Established defined roles and responsibilities of program and fiscal staff for recording and reconciling receivables, billing, receipting of payments, posting transactions to Agency Financial Reporting System (AFRS), and reconciliation. Specific requirements of the updated policy and procedures include fiscal staff produces a monthly accounts receivable (AR) aging report for the fiscal officer's review; the fiscal officer determines collection action, per policy guidelines, and reports to the revenue committee at its monthly meeting; the fiscal officer also reports the AR allowance account status to the committee.
- To ensure segregation of duties, established defined cash receipting roles and responsibilities of program and fiscal staff including reconciliation of the daily log and admission system daily deposit report, weekly review of reconciliations by the fiscal officer, and tracking voided admissions and error corrections on the daily transaction adjustment log.
- Modified access to allow only the fiscal officer and fiscal analyst to release AFRS transactions and modified procedures to ensure all pay increases are supported by adequate documentation.
- Updated purchase card policies to require that all purchases be preapproved by a budget monitor and that a monthly reconciliation and review be performed.

In addition, the payroll officer took the payroll revolving fund reconciliation classes offered by the Office of Financial Management. The fiscal officer reviews any changes in the *State Administrative and Accounting Manual* with the fiscal staff. The fiscal officer reports to the Historical Society's managers on the state of fiscal operations at their monthly planning meeting.

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Status of Resolution of Audit Findings

December 2010

Washington State Historical Society (WHS)

Agency: 390

Audit Report: 1003298

Finding Number: 002

Finding: The Agency did not adequately monitor grants from the Heritage Capital Projects Fund to ensure grantees complied with grant agreements and only allowable costs were reimbursed.

Resolution: The Historical Society is making the necessary changes to its fiscal operations to address the issues raised by the audit. Among the changes are better itemization of project budgets by grantees, project review by an internal project review team, and development of a new invoice voucher format and project progress reporting template.

Specific requirements for the Washington Heritage Grant project include:

- Grantee sends itemized project budget to grant manager as a part of contract development. The itemized project budget must meet the scope of the project stated in the contract.
- Grantee sends the following information as part of project budget submittal:
 - Project manager's name and title, project architect or engineer's name and title, project accountant's name and title, project start date and end date, and estimated cash flow requirement.
 - Evidence that grantee has raised all matching funds. The Historical Society will not sign the grant contract until grantee shows they have met the local match requirement.
- Historical Society project management team reviews the budget and approves grant.
- Historical Society sends contract agreement to grantee with a sample invoice voucher form and application for payment form. The grantee is required to use these forms to request payment.
- Grantee sends the payment request using the Heritage Capital Project Status Report. The report includes an invoice voucher signed by the project manager or project accountant and accompanying application for payment signed by the project architect or engineer.
- Historical Society accounting staff reviews the invoice voucher, supporting documentation, and application for payment for accuracy and completeness prior to processing payment.

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