



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

September 29, 2006

Ms. Melinda Coleman, Grants Administrator
Department of Cultural Resources
Raleigh, NC

RE: Review of Sit In Movement, Inc.

Grant Amount: \$1,500,000 State Fiscal Year 2005
\$ 500,000 State Fiscal Year 2006

Dear Ms. Coleman:

The Office of the State Auditor conducted a monitoring and compliance review of the grants awarded to the Sit In Movement, Inc. for the purpose of restoring the Woolworth Building and creating a museum for the Sit In Movement and other civil rights issues. These grants were chosen for review to conduct a follow up to determine how specially allocated grant funds were spent. The review conducted by John Price of the Office of the State Auditor, included evaluating a sample of 58 expenditures to examine their reasonableness, whether the expenditures were approved and had supporting documentation, and whether the internal controls prevented them from being paid twice. These expenditures reviewed totaled \$2,730,361.

While the sample amount reviewed was more than the total of the grants, we found it was necessary to expand our review because the Sit In Movement was co-mingling funds. The review showed that the Sit In Movement had one checking account and that it did not have an adequate chart of accounts to identify expenditures as they related to grant funds. Therefore, we could not be sure what payments were made with grant funds and what payments were made with other funds. However, we did not note any payments in the sample that would not have been allowed with the grant funds. The results of the sample showed a number of internal control weaknesses, as follows:

- 11 instances where the invoices had not been approved for payment by either a board member or the executive director
- 5 payments made without supporting documentation
- 20 instances where the invoices had not been canceled to prevent duplicate payment
- 7 instances where expenditures did not appear reasonable or it could not be determined from the information provided (3 were due to the Movement' inability to produce a copy of the expenditure along with supporting documentation for payments made to the Executive Director-\$2,330)

Of significant concern was a lack of planning that has led to additional costs for construction and renovation, as well as costs to store exhibits and equipment that have already been purchased. Specifically, unforeseen problems with moisture (and water table) of the downtown area resulted in

Ms. Melinda Coleman

September 29, 2006

Page 2

significant construction delays and added costs to correct. Meanwhile, the grantee contracted to have exhibits and presentations completed which had to be stored in an off-site facility adding additional costs. Five big screen televisions were purchased in order to test presentations/movies that would be shown on them. The timing of this purchase is questioned due to rapidly changing technology, as well as the need for eight TVs to test presentations/movies. Additionally many invoices were not paid in full due to lack of available funds. The additional costs have potentially impaired the effort to create the museum for the Sit In Movement. At the time of the review, the Sit In Museum owed numerous contractors and companies associated with the effort considerable funds, thereby risking the continued participation of these vendors.

Management has attempted to address these problems by creating an internal document to assist in planning for the completion of the project which includes estimated costs and dates to achieve the goals. The Movement may want to consider hiring a professional planner to create a formal strategic plan to address the current issues plaguing this most deserving project.

These concerns were discussed with the Executive Director who planned to take immediate steps to correct them. We recommend that Cultural Resources follow up on these issues through an on-site monitoring visit, especially looking to see if the Sit In Movement has established a chart of accounts to allow specific accounting of State grant funds. Additionally, Cultural Resources should look at the grantee's planning document to see if it appears reasonable and whether it will allow for the completion of the project. [Note: Since the completion of the on-site and follow-up work, Cultural Resources has conducted a monitoring visit to confirm that the recommended changes have been made.]

If you have any questions or would like to discuss these issues further, please contact Ms. Janet Hayes, Director of Management Services and Nongovernmental Compliance Division, 919-807-7558, Janet_Hayes@ncauditor.net, or Mr. Price at 919-807-7605, John_Price@ncauditor.net.

Sincerely,



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

cc: Secretary Lisbeth C. Evans Department of Cultural Resources
Amelia Parker, Executive Director Sit In Movement Inc.