

**SOUTH CAROLINA
CONFEDERATE RELIC ROOM AND MUSEUM
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 1997

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 6, 1998

The Honorable David M. Beasley, Governor
and
Mr. W. Allen Roberson, Director
South Carolina Confederate Relic Room and Museum
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Confederate Relic Room and Museum (the Agency), solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 1997, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

1. We tested all recorded receipts to determine if these receipts were properly described and classified in the accounting records and collection and retention or remittance were supported by law. We found no exceptions as a result of the procedures.
2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records; were bona fide disbursements of the Agency; and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over the reporting of the tested disbursement transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was three percent of the aggregate amount of all recorded non-payroll disbursements. We found no exceptions as a result of the procedures.

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3. We tested all recorded payroll disbursements to determine if the payroll and fringe benefits were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; and payroll transactions including employee payroll deductions were properly authorized by the employees and were in accordance with existing legal requirements and if accounting procedures and internal accounting controls over the reporting of the tested payroll transactions were adequate to provide proper control over these transactions. Our findings as a result of these procedures are presented in Temporary Employees in the Accountant's Comments section of this report.
4. We tested all recorded appropriation transfers to determine if these transactions were properly described and classified in the accounting records; the accounting procedures and internal accounting controls over the reporting of these transactions were adequate to provide proper control over these transactions; and they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct. We found no exceptions as a result of the procedures.
5. We tested selected entries and monthly totals in the subsidiary records of the Agency to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and the accounting procedures and internal accounting controls over the tested transactions were adequate to provide proper control over the books of original entry and the general ledger. The items selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained all monthly reconciliations prepared by the Agency for the year ended June 30, 1997, and tested selected reconciliations of balances in the Agency's accounting records to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the Agency's general ledger, agreed the applicable amounts to the STARS reports, determined that reconciling differences were adequately explained and properly resolved, and determined that necessary adjusting entries were made in the Agency's accounting records or STARS. The reconciliations selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
7. We tested the Agency's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 1997 by performing the applicable tests and procedures listed on the State Auditor's Office's Appropriation Act 1997 work program. We found no exceptions as a result of the procedures.

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8. We reviewed the status of the deficiencies described in the findings reported in the Auditor's Comments section of the State Auditor's Report on the Agency resulting from our engagement for the fiscal year ended June 30, 1995, to determine if adequate corrective action has been taken. [We applied no procedures to the Agency's accounting records and internal controls for the year ended June 30, 1996.] We found no exceptions as a result of the procedures.
9. We obtained a copy of the accompanying schedule of expenditures - budget and actual for the year ended June 30, 1997, and notes thereto prepared by the Agency and agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the Agency. We checked the schedule and notes for mathematical accuracy. We found no exceptions as a result of the procedures.
10. We obtained copies of all closing packages as of and for the year ended June 30, 1997, prepared by the Agency and submitted to the State Comptroller General and reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. Our finding as a result of these procedures is presented in Fixed Assets in the Accountant's Comments section of this report.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items and on the effectiveness of the internal control structure over financial reporting described in paragraph one and procedures one through ten of this report. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the Agency's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

SOUTH CAROLINA CONFEDERATE RELIC ROOM AND MUSEUM

Schedule of Expenditures -
 Budget and Actual - Budgetary General Fund
For the Year Ended June 30, 1997

	Legal Basis <u>Budget</u>	Actual on Budgetary <u>Basis</u>	<u>Variance</u>
Expenditures:			
Personal Services	\$111,221	\$111,221	\$ -
Employer Contributions	30,029	30,029	-
Other Operating	<u>71,113</u>	<u>69,990</u>	<u>1,123</u>
Total Expenditures	<u>\$212,363</u>	<u>\$211,240</u>	<u>\$1,123</u>

The accompanying notes are an integral part of this schedule.

SOUTH CAROLINA CONFEDERATE RELIC ROOM AND MUSEUM

Notes to Schedule

June 30, 1997

NOTE 1 - BUDGET POLICY

The South Carolina Confederate Relic Room and Museum is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Agency. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in 1997 Appropriation Act Proviso 72.9. as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Board's Division of Budget and Analyses and to the State Comptroller General. No such transfer may exceed 20 percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis for payroll expenditures.

The schedule of expenditures - budget and actual presents actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control for each agency for each fiscal year is reported in a publication of the State Comptroller General's Office titled A Detailed Report of Appropriations and Expenditures.

SOUTH CAROLINA CONFEDERATE RELIC ROOM AND MUSEUM

Notes to Schedule

June 30, 1997

NOTE 2 - STATE APPROPRIATIONS

The following is a reconciliation of the 1997 Appropriation Act as originally enacted by the General Assembly to amounts available for the Agency's budgetary general fund expenditures as reported on Schedule 1 for the year ended June 30, 1997.

Original Appropriation	\$207,869
State Budget and Control Board Allocations for Employee Base Pay Increases and Related Employee Benefits (Proviso 17C.19.)	<u>3,947</u>
Revised Appropriation - Legal Basis	211,816
Plus: 1996 Appropriation Brought Forward (1997 Proviso 72.44.)	<u>547</u>
Legal Basis Appropriation Available for 1997 Expenditures	<u>\$212,363</u>

Pursuant to Proviso 72.44. of the 1997 Appropriation Act, the Agency brought forward \$547 of unspent General Fund appropriations from the prior fiscal year into the current fiscal year. This proviso authorized a maximum carry-forward of 10 percent of an agency's original appropriation with certain limitations for reductions and separate carry-forward authority.

In accordance with Proviso 72.44. of the 1998 Appropriation Act, the Agency carried forward \$1,123 of unspent State General Fund appropriations from the current year into the next fiscal year. This proviso authorized a maximum carry-forward of 10 percent of an agency's original appropriation with certain limitations for reductions and separate carry-forward authority.

ACCOUNTANT'S COMMENTS

SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining an internal control structure. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has an effective internal control structure.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.

TEMPORARY EMPLOYEES

The Confederate Relic Room and Museum (the Agency) had no documentation to support the hire date or the hourly pay rate for either of the two temporary hourly employees employed during the year or to support the effective date for the termination of employment by one of these employees. State Human Resources Regulation 19-708.03.A. requires each agency to maintain an official individual personnel file for each employee which includes copies of all personnel actions reflecting a history of the employee's service and correspondence directly related to the employee's work record. Regulations 19-703.03 and 19-703.04 B. require the Agency to keep accurate records of all hours worked and leave taken by all employees and for nonexempt employees the workweek, hourly rate, hours worked each day, etc. Furthermore, Regulation 19-707.08 requires an employee who resigns to submit the resignation in writing.

In addition, the time sheets for temporary hourly employees did not include a supervisor's signature documenting the review and approval of the information thereon. The Agency charged temporary employee costs to the classified positions expenditure object code (0158), instead of the temporary positions object code (0171). Good internal controls require that evidence of the supervisor's review and approval of the time worked by an employee be evident on an employee's time sheet. Section 2.1.6.20 of the Comptroller General's Policies and Procedures Manual defines the object codes for each type of expenditure.

We recommend that the Agency maintain documentation in each temporary employee's personnel file of the hourly pay rate and effective date; all personnel actions; other required personnel information; and any other pertinent information related to the employee's employment. We also recommend the employee's direct supervisor approve and sign each time sheet. All personnel costs should be charged to the correct object code.

FIXED ASSETS

The State Comptroller General obtains certain information from agency-completed closing packages to prepare the State's financial statements. The Agency omitted \$1,159 in fixed asset costs from the total additions reported on the fixed assets closing package and from the Agency's fixed assets listing. The additions did not include part of an invoice amount for one asset and the sales taxes, delivery costs, and installation costs associated with all fiscal year 1997 acquisitions of capitalized fixed assets. The Agency did not include these costs because of a clerical error and a misunderstanding of which costs are to be capitalized. The Comptroller General's GAAP Closing Procedures Manual Section 3.8 states that the value of a fixed asset purchase includes the invoice price, sales taxes, delivery cost, and installation costs.

We recommend that the Agency capitalize all costs associated with acquiring and putting a fixed asset in its intended location and condition for use. To correct the State's accounting records, the Agency should report the \$1,159 in fixed asset costs in the Net Corrections to Prior Year Balances column on the general fixed assets summary form for fiscal year 1998. We also recommend that the Agency's fixed assets listing be adjusted to include the additional \$1,159 of asset costs.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Auditor's Comments section of the State Auditor's Report on the South Carolina Confederate Relic Room and Museum for the fiscal year ended June 30, 1995, and dated July 26, 1996. [We applied no procedures to the Agency's accounting records and internal controls for the year ended June 30, 1996.] We determined that the Agency has taken adequate corrective action on the two deficiencies regarding a salary increase and administrative leave.

MANAGEMENT'S RESPONSE