

**SOUTH CAROLINA MUSEUM COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2001**

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# State of South Carolina



## Office of the State Auditor

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STATE AUDITOR

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 26, 2002

The Honorable Mark Sanford, Governor  
and  
Members of the Commission  
South Carolina Museum Commission  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Museum Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2001, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this 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 selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested selected recorded receipts to determine if these receipts were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement. We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We compared current year recorded revenues from sources other than State General Fund appropriations to those of the prior year and, using estimations and other procedures, tested the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Receipts and Revenues in the Accountant's Comments section of this report.

The Honorable Mark Sanford, Governor  
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South Carolina Museum Commission  
September 26, 2002


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 Commission, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations; and if internal controls over the tested disbursement transactions were adequate. We also tested selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement. We compared current year expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Disbursements and Record Retention in the Accountant's Comments section of this report.
3. We tested selected recorded payroll disbursements to determine if the tested payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements; and internal controls over the tested payroll transactions were adequate. We tested selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS. We also tested payroll transactions for selected new employees and those who terminated employment to determine if internal controls over these transactions were adequate. We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year; comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computing the percentage distribution of recorded fringe benefit expenditures by fund source and comparing the computed distribution to the actual distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly and judgmentally. Our findings as a result of these procedures are presented in Personal Services and Employer Contributions in the Accountant's Comments section of this report.
4. We tested selected recorded journal entries and operating transfers and all recorded appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The individual operating transfers selected for testing were chosen randomly. The individual journal entry transactions selected for testing were chosen judgmentally to include large transactions and certain randomly selected transactions. Our findings as a result of these procedures are presented in Appropriation Transfers and Record Retention in the Accountant's Comments section of this report.

5. We tested selected entries and monthly totals in the subsidiary records of the Commission 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 internal controls over the tested transactions were adequate. The transactions 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 Commission for the year ended June 30, 2001, and tested selected reconciliations of balances in the Commission's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Commission's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Commission's accounting records and/or in STARS. The reconciliations selected for testing were chosen judgmentally. Our findings as a result of these procedures are presented in Reconciliations in the Accountant's Comments section of this report.
7. We tested the Commission'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 2001. Our findings as a result of these procedures are presented in Section B in the Accountant's Comments section of this report.
8. We reviewed the status of the deficiencies described in the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2000, to determine if adequate corrective action has been taken. Our findings as a result of these procedures are presented in Section A in the Accountant's Comments section of this report.
9. We obtained copies of all closing packages as of and for the year ended June 30, 2001, prepared by the Commission and submitted to the State Comptroller General. We 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 findings as a result of these procedures are presented in GAAP Closing Packages in the Accountant's Comments section of this report.
10. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2001, prepared by the Commission and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. Our findings as a result of these procedures are presented in Schedule of Federal Financial Assistance in the Accountant's Comments section of this report.

The Honorable Mark Sanford, Governor  
and  
Members of the Commission  
South Carolina Museum Commission  
September 26, 2002

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Museum Commission and is not intended to be and should not be used by anyone other than these specified parties.

  
for Thomas L. Wagner, Jr., CPA  
State Auditor

**ACCOUNTANT'S COMMENTS**

## **SECTION A - STATUS OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2000, and dated April 11, 2001. We determined that the Commission has taken adequate corrective action on each of the findings regarding budgetary accounts, supporting documentation for disbursements, and admissions revenues. We determined the other deficiencies described in our prior report still exist; consequently, we have repeated similar findings in Section B herein:

Reconciliations

Personal Services and Employer Contributions

Schedule of Federal Financial Assistance

Receipts and Revenues – Timing of Deposits

Disbursements – Rental Charges

Appropriation Transfers

GAAP Closing Packages



## **SECTION B - 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 internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components 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 effective internal controls.

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

## **RECONCILIATIONS**

In our fiscal year 1992 through 2000 reports we stated that the Commission failed to properly perform monthly reconciliations of balances in its internal accounting system (BARS) and those in the State's system (STARS) for all funds and for all months. The Commission performed monthly reconciliations of revenues for August 2000 through June 2001 for general and earmarked funds. Additionally, monthly reconciliations of expenditures were performed for July 2000 through January 2001 for general and earmarked funds. However, the majority of these monthly reconciliations for revenues and expenditures were not performed in a timely manner. Also, the Commission did not perform monthly revenue reconciliations for general and earmarked funds for July 2000 and expenditure reconciliations for February 2001 through June 2001. Fiscal month (FM) 13 reconciliations were not performed for revenues and expenditures. Furthermore, cash balances and federal funds grant/phase balances were not reconciled during fiscal year 2001. We compared year-to-date revenues, expenditures, and ending cash balances in SABAR (the Commission's internal accounting system effective July 1, 2000) to those reported in STARS and identified several reconciling items. During our review of all reconciliations completed, we noted that the September 2000 revenue reconciliations were not signed and dated by the preparer and reviewer, therefore we could not determine who prepared the reconciliations or determine if they were independently reviewed.

The Commission has written procedures regarding the requirement for and performance of monthly reconciliations; however, they were not followed in fiscal year 2001. Furthermore, some federal funds balances on the agency's schedule of federal financial assistance differed from those in SABAR and/or in STARS. The agency failed to reconcile the differences among the three, detect the errors, and promptly correct the accounting records and/or the federal schedule.

The Commission is not in compliance with the reconciliation procedures for error detection and correction required by Section 2.1.7.20 C. of the Comptroller General's Policies and Procedures Manual (STARS Manual). That section of the manual requires agencies to have clearly documented, written reconciliations for revenues, expenditures, and cash balances by fund which are prepared timely and signed and dated by the preparer and are independently reviewed and approved (evidenced by signature and date). The STARS Manual also requires that errors discovered in the reconciliation process be promptly corrected in SABAR and/or in STARS as appropriate.

Further, Section 11-9-125 of the 1976 South Carolina Code of Laws as amended, states that state agencies must reconcile federal and other fund accounts at the end of each state fiscal year and maintain those records for audit purposes.

We again recommend that the Commission prepare, document, and review reconciliations at the prescribed level of detail for all required accounts and correct detected errors in accordance with STARS Manual guidelines. Each monthly reconciliation should be performed by a knowledgeable employee in a timely manner and independently reviewed and approved by a responsible supervisory employee.

## **PERSONAL SERVICES AND EMPLOYER CONTRIBUTIONS**

### **Supporting Documentation**

We performed a variety of tests of personnel and payroll transactions and records. For two out of the 25 tested during our standard test of payroll transactions, the Commission could not provide adequate documentation of the employees' authorizations for all payroll withholdings and deductions. (We reported similar findings for fiscal years 2000, 1999, and 1998.) The Commission does not have written procedures regarding the filing and maintenance of employee authorizations for payroll withholdings and deductions.

Sound accounting control practices require supporting documentation to be obtained, retained, and filed in an orderly manner to support all recorded transactions. We again recommend that the Commission develop and implement written file maintenance procedures which cover the creation and filing of all documents, as well as the ongoing maintenance and control of files and their contents including temporary removal of the files or of information from the files (e.g., use of document sign-out forms) to ensure that documents can be located and retrieved by authorized users when needed regardless of turnover in the positions of the employees assigned responsibility for the files and their contents.

### **Payroll Additions and Terminations**

For this engagement, we requested separate lists of all employees who started and all who terminated employment with the agency in fiscal year 2001. We tested all (seven) of the full-time permanent employees hired and eighteen randomly selected part-time temporary employees hired for a total of 25 employees. We determined that the Commission miscalculated the initial pay for two of the employees resulting in a total overpayment of \$97. Also, one of the 25 new hires tested was paid the incorrect hourly rate of pay resulting in an underpayment of \$43. We tested all (ten) of the full-time permanent employees and fifteen randomly selected part-time temporary employees who terminated employment with the Commission for a total of 25 individuals tested. Nine of the effective termination dates on the list differed from those documented in the employees' personnel files. The termination pay for the nine was computed using the effective dates in the files. Further, six out of the 25 employee terminations tested and three out of the 25 new hires tested were not paid according to the State's pay schedule because timesheets and Notification of Personnel Action (NOPA) forms were not forwarded in a timely manner to the appropriate personnel. Similar findings regarding documentation of hire and/or terminations dates and computation of pay were reported for 2000, 1999, and 1998.

A well-designed internal control system includes maintenance of accurate and complete information in personnel and payroll files; procedures for the payroll preparer to obtain information for payroll calculations from source records (e.g., timesheets, pay rates, annual leave balances); and independent review of payroll calculations and verification of information utilized in calculations to the relevant supporting documentation prior to approval of the payroll voucher. Also, effective controls include independent verification of special purpose reports before those reports are distributed to the requesting internal or external party.

Further, Proviso 72.24. of Part IB of the 2000-2001 Appropriation Act continued the established regular schedule for payment of employees beginning with the first fiscal year 2001 pay period of June 2 through June 16 of the prior year to be paid on July 1 and continuing on a twice-monthly schedule thereafter. The proviso also authorizes the State Budget and Control Board “to approve any changes to this schedule where circumstances are deemed justifiable.” [The Appropriation Act for each fiscal year contains a similar proviso.]

We again recommend the Commission implement controls to ensure that documentation in personnel and payroll files is complete and accurate and that payments to employees are calculated accurately. In addition to the minimum employee records set forth in State Human Resources Regulations, the Commission should maintain adequate documentation of each employee’s hire date, pay rate, authorization for all payroll withholdings and deductions, time worked and leave taken by leave category in each pay period, holiday hours and overtime hours, date of termination, and pay calculations. We also recommend that the Commission strengthen procedures to ensure information obtained and/or summarized to satisfy specific requests is accurate and to require the independent reviewer to check the mathematical accuracy of the calculations and trace each component to the supporting documentation. The reviewer should sign and date documents to show that the information used has been properly reviewed.

We further recommend the Commission revise its procedures to ensure that it pays all of its employees in accordance with the State's established payroll period/paydate schedule. Controls should be in place to ensure that transactions are properly and timely processed and to detect and correct errors and inconsistencies in a timely manner. Employees should be adequately trained to ensure that they promptly and accurately notify the appropriate department of all personnel transactions including forwarding timesheets and NOPA forms.

### **SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

To prepare the Statewide Single Audit Report for fiscal year 2001 and every year, the Office of the State Auditor requires each State agency receiving federal funds to prepare and submit a schedule of federal financial assistance containing all of its federal funds. During our review of the schedule and our comparison of the federal fund amounts on the Commission's fiscal year 2001 schedule to those in SABAR and STARS, we noted the following deficiencies due to inadequate controls over the preparation and reconciliation of the schedule of federal financial assistance:

- All three (SABAR, STARS, schedule of federal financial assistance) reported different account balances and the Commission had not reconciled the differences.
- The Commission had not reconciled individual federal project and phase code balances in SABAR to those in STARS using the CSA 467CM – Trial Balance by Subfund, Project, and GLA report.

We did not determine whether the Commission's schedule of federal financial assistance was accurate. [Our 2000, 1999, and 1998 reports described the deficiency relating to the Commission's failure to reconcile amounts on the schedule of federal financial assistance to amounts in BARS and STARS.]

The Office of the State Auditor's letter of instructions provides agencies with guidance and instructions for preparation of accurate and complete federal schedules. Section (B) of attachment 1 of the fiscal year 2001 instructions for completing the agencies' schedules of federal financial assistance states, "The amounts shown on the Total Federal Assistance line

must be in agreement with the General Ledger (Receipts, Expenditures, Other Additions, Other Deductions, Ending Fund Balance). All reconciling items should be fully explained.” In addition, as described in our Reconciliations comment, the STARS Manual contains requirements for monthly reconciliations to the CSA 467CM report.

We continue to recommend that the Commission assign responsibility for preparing and reviewing its federal schedule to knowledgeable and well trained employees. The Commission should also provide the staff with the proper training and establish written procedures regarding the preparation and independent supervisory review of the Commission’s schedule of federal financial assistance in accordance with the Office of the State Auditor’s letter of instructions. Furthermore, the Commission should ensure that amounts and other information reported on the federal schedule are accurate (e.g., reconciled to SABAR and STARS) and complete.

## **DISBURSEMENTS**

### **Rental Charges**

The Commission recorded approximately \$2.8 million in total state owned real property rental expenditures and charged 100 percent of it to State General Fund appropriations. The agency was financed in fiscal year 2001 from multiple funding sources. Management responded to a similar finding included in our fiscal year 2000 report as follows:

The Commission has reviewed the current method to allocate rent charges and is satisfied that the current practice of charging the one fund source is appropriate. However, documentation supporting this review was not available. The Commission is currently recreating documentation to support the current allocation method for rent.

Management did not provide us with documentation to support its decision to charge all of the rent to one fund source.

Proviso 72.39. of Part IB of the fiscal year 2001 Appropriation Act states, “All departments and agencies against which rental charges are assessed and whose operations are financed in whole or in part by Federal and/or other non-appropriated funds are directed to apportion the payment of such charges equitably among all such funds, so that each shall bear its proportionate share.”

We again recommend that the Commission design and implement written policies and procedures to ensure that rental charges are allocated equitably among all of its funds. The agency’s control system should also ensure that adequate documentation of its allocation method and computations by fund source is prepared and retained.

## **RECEIPTS AND REVENUES**

### **Timing of Deposits**

Our fiscal year 2001 tests of receipts controls included 25 deposit packages each of which had one or more individual receipts attached. We could not determine if one of those receipts was deposited in a timely manner because the Commission failed to document the date the funds were collected. We reported similar findings in our three prior engagements. Additionally, during the fiscal year 2001 engagement, we noted that two individual receipts attached to one deposit package were not deposited in a timely manner.

Cash is the asset which is most vulnerable to loss; therefore, adequate internal control procedures require the agency to initiate accounting control over monies immediately upon collection (e.g., issue a cash receipt document, date-stamp the receipt documentation) and to timely deposit receipts. Part IB of each Appropriation Act (Proviso 72.1. of 2001) requires that collections be deposited at least once each week when practical.

We again recommend that the Commission implement procedures to ensure that each cash receipt is properly documented including the date of collection and is timely deposited by authorized personnel.



## **APPROPRIATION TRANSFERS**

Our reports for fiscal years 1992 through 2000 stated that many of the appropriation transfers (AT) we tested did not have adequate supporting documentation attached or cross-referenced and lacked explanations that would enable us to determine the propriety and accuracy of the transfers. The Commission's response to the 2000 comment stated that "Policies and Procedures regarding the preparation of transaction documents and their supporting documentation have been implemented to ensure that the appropriate document is prepared for the transaction and that the supporting documentation is adequate." Despite an independent review and approval of source documents, in our fiscal year 2001 tests, we identified similar deficiencies in the adequacy of support and cross-referencing for two AT's tested.

We continue to recommend the Commission strengthen its procedures to ensure all transaction documents are reviewed independently by a responsible supervisor other than the preparer to ensure the adequacy of documentation including explicitly stated explanations on the transaction forms plus attachment of and/or cross-reference to additional explanatory information.

## **GAAP CLOSING PACKAGES**

### **Introduction**

The State Comptroller General obtains certain generally accepted accounting principles (GAAP) information from agency-prepared closing packages to use in preparing the State's financial statements. The GAAP Closing Procedures Manual (the GAAP Manual) provides guidance and instructions for preparing and reviewing the various closing packages. Sections 1.8 and 1.9 assign responsibility for the accuracy of closing packages; suggests the responsibilities for preparing and reviewing them be assigned to qualified employees; and requires maintenance of workpapers to support every amount and response on every closing package form.

### **Fixed Assets**

As in fiscal years 2000, 1999, and 1998, the Commission had not prepared, updated, and retained supporting documentation for each amount on each fixed assets closing package form for the ending capital asset balance. Additionally, the Commission had not prepared a detailed fixed assets listing of equipment. Therefore, the \$621,449 balance could not be agreed to a subsidiary ledger and we could not determine whether the balance reported on the closing package was accurate. GAAP Manual Sections 3.7 through 3.11 provide instructions and guidance for agencies reporting fixed asset transactions and balances in closing packages.

We continue to recommend that the Commission properly prepare a fixed assets detail listing and establish procedures to ensure fixed asset records are updated and maintained accurately thereafter; closing packages are completed according to the Comptroller General's instructions; and accurate and adequate supporting documentation is prepared and maintained for all amounts reported in the closing package.

## **RECORD RETENTION**

The Commission was unable to locate one disbursement voucher, two Appropriation Transfers, and one journal entry, as well as the attached supporting documentation for each of the transactions.

Sound internal controls require that adequate supporting documentation be obtained, retained, and filed in an orderly manner to support all recorded transactions. Also, the General Records Retention Schedule for Financial Records of State Agencies, developed by the Archives and Records Management Division of the South Carolina Department of Archives and History was prepared to provide general retention and disposition schedules for state agencies. It gives state agencies the legal authorization to retain and dispose of administrative, legal, fiscal, and other records and also to ensure that records are retained in accordance with state and federal laws, regulations, policies, and procedures.

We recommend that the Commission develop and implement written file maintenance procedures which cover creation and filing of all documents, as well as the ongoing maintenance and control of files and their contents including temporary removal of the files or of information from the files, (e.g., use of document sign-out forms) to ensure that documents can be located and retrieved by authorized users when needed.

## **MANAGEMENT'S RESPONSE**



March 19, 2003

Thomas Wagner  
State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Mr. Wagner:

Mr. Wagner, I met with Terri Green of your office on March 12 to review the results of your fiscal year 2001 audit for the State Museum. Ms. Green was very helpful in this exit conference explaining the results of the audit and the Museum's relative performance to other state agencies.

As I am new to state government and from a private business background, I was extremely interested in her appraisal of our agency's audit. I understand that the State Museum has had a history of below average audits and would concur that this audit certainly does not meet my future expectations. However, I would state that it appears as though the fiscal year 2002 audit will contain less material weaknesses. The impact of my directional changes and input concerning financial accountability will be more evident and apparent in the 2003 audit.

I have attached a summary listing of our audit points with my comments. Also attached is a current listing of our Commission members with their mailing and e-mail addresses which can be used to release the audit report. Finally, a diskette of this response is included.

If there is any further information required, please contact me at 898-4930.

Sincerely,

William Calloway  
Executive Director

## 2001 Audit Summary

March 19, 2003

### Material Weakness

A material weakness is a condition in which the design or operation of one or more of the specific internal control components 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 effective internal controls.

Listed below are the identified Material Weaknesses for the agency for the audit covering fiscal year ending June 2001.

#### **1. Reconciliations**

- Has been noted as a weakness since 1992 (10 years)
- Revenues not reconciled for 1 month
- Expenses not reconciled for 5 months
- Reconciliations done were not done timely
- Cash balances were not reconciled
- Federal Funds were not reconciled
- Museum's own written procedures for reconciliations were not followed

#### **Recommendation –**

We again recommend that the Commission prepare, document, and review reconciliations at the prescribed level of detail for all required accounts and correct detected errors in accordance with STARS Manual guidelines. Each monthly reconciliation should be performed by a knowledgeable employee in a timely manner and independently reviewed and approved by a responsible supervisory employee.

#### **Agency Comment –**

Currently, fiscal year 2002 has been reconciled for revenues and expenses except for month 13. Federal funds and cash have not yet been reconciled. 2002 will be fully reconciled prior to the 2002 audit scheduled to begin in May of 2003. Finance staff have been made aware of their responsibility to perform these reconciliations in a timely manner and that they will be held accountable for failure to do so.

#### **2. Personal Services and Employer Contributions**

- Has been noted as a weakness since 1998 (4 years)
- Could not document 2 of 25 employee withholding authorizations.
- Museum does not have written procedures for managing such paperwork

#### **Recommendation –**

We again recommend that the Museum develop and implement written file maintenance procedures which cover the creation and filing of all documents, as well as the ongoing maintenance and control of files and their

contents including temporary removal of the files or of information from the files to ensure the documents can be located and retrieved by authorized users when needed regardless of turnover in the positions of the employees assigned responsibility for the files and their contents.

**Agency Comment –**

The Human Resources manager has been directed to write and develop the required procedures. Additionally, he has been directed to perform a complete internal audit of all mentioned files and make corrections as needed. This process will possibly require the retaining of some dedicated temporary help to perform this function in a timely manner.

**3. Payroll Additions and Terminations**

- Has been noted as a weakness since 1998 (4 years)
- Incorrectly paid 3 of 25 tested new hires.
- Had conflicting termination dates on 9 of 25 tested terminations.
- 9 of 50 tested were not paid on time due to delay in processing of timesheets or personal Action forms.

**Recommendation –**

We again recommend the Museum implement controls to ensure that documentation in personnel and payroll files is complete and accurate and that payments to employees are calculated accurately. The Museum should maintain adequate documentation of each employee's hire date, pay rate, authorization for all payroll withholdings and deductions, time worked and leave taken by leave category in each pay period, holiday hours and overtime hours, date of termination, and pay calculations. The reviewer should sign and date documents to show that the information used has been properly reviewed. Museum needs to establish procedures ensure personnel are paid on time.

**Agency Comment –**

The Human Resource manager in conjunction with the comptroller will insure that payroll documentation is current and accurate. The comptroller will review all payrolls before processing. Supervisory management will again be stressed the importance of submitting accurate timesheet information on a timely basis and will be held accountable for their failure to do so.

**4. Schedule of Federal Financial Assistance**

- Has been noted as a weakness since 1998 (4 years)
- Three accounting systems had different balances for the Federal funds.
- Discrepancies were not reconciled.

**Recommendation –**

We continue to recommend that the Museum assign responsibility for preparing and reviewing its federal schedule to knowledgeable and well-trained employees. The Museum should train staff and establish written procedure for the preparation of these forms. Year ending balances on the forms, SABAR, and STARS should be reconciled with each other.

**Agency Comment –**

The comptroller understands the importance of timely and accurate preparation of these required schedules. The comptroller will be held accountable for failure to properly prepare these schedules.

**5. Disbursements**

- Has been noted as a weakness since 2000 (2 years)
- All rent is charged to State appropriations revenue without supporting documentation

**Recommendation –**

We again recommend that the Museum design and implement written policies and procedures to ensure that rental charges are allocated equitably among all of its funds. Documentation of each year's allocation methodology should be prepared and retained.

**Agency Comment –**

The Executive Director will prepare a written policy relative to rent allocation. This will be done prior to the year 2002 audit.

**6. Receipts and Revenues**

- Has been noted as a weakness since 1998 (4 years)
- 3 of 25 deposit packages were not done in a timely manner.

**Recommendation –**

We again recommend that the Museum implement procedures to ensure that each cash receipt is properly documented including the date of collection and is timely deposited by authorized personnel.

**Agency Comment –**

The museum's entire cash handling process is being reviewed and modified. The start date for the cash control procedures is July 1, 2003. This revision in process will include but not be limited to cash deposit procedures.

**7. Appropriation Transfer**

- Has been noted as a weakness since 1992 (10 years)
- 2 transfers tested did not have adequate supporting documentation.

**Recommendation –**

We continue to recommend the Museum strengthens its procedures to ensure all transaction documents are reviewed independently by a responsible supervisor other than the preparer to ensure the adequacy of documentation including explicitly stated explanations on the transaction forms plus attachment of and/or cross-reference to additional explanatory information.



**Agency Comment –**

The comptroller is aware that proper adherence to appropriation transfer policy is her responsibility and that she will be held accountable for failure to do so.

**8. GAAP Closing Packages**

- Has been noted as a weakness since 1998 (4 years)
- Museum has not prepared, updated, and retained supporting documentation for each amount on each fixed assets closing package form for the ending capital asset balance
- Museum has not prepared a detailed fixed assets listing of equipment.

**Recommendation –**

We continue to recommend that the Museum properly prepare a fixed assets detail listing and establish procedures to ensure fixed asset records are updated and maintained accurately thereafter; closing packages are completed according to the Comptroller General's instructions; and accurate and adequate supporting documentation is prepared and maintained for all amounts reported in the closing package.

**Agency Comment –**

The compilation and verification of current fixed assets will be time consuming and complicated. I anticipate the hiring of an independent entity to complete this task. The comptroller is aware that proper adherence to GAAP closing packages procedures is her responsibility and that she will be held accountable for failure to do so.

**9. Record Retention**

- Museum was unable to locate one disbursement voucher, two Appropriation Transfers, and one journal entry, as well as the respective supporting documentation.

**Recommendation –**

We recommend that the Museum develop and implement written file maintenance procedures which cover creation and filing of all documents, as well as the ongoing maintenance and control of files and their contents including temporary removal of the files or information in the files.

**Agency Comment –**

See comment for point 1

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