

SOUTH CAROLINA MUSEUM COMMISSION
COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2009

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State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 10, 2010

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, 2009, 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. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected 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 at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope for the earmarked fund was based on agreed upon materiality levels of \$16,400 and ± 10 percent. No scope was established for general and federal fund revenues.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, 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.
- We inspected 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 at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope for the general and earmarked funds was based on agreed upon materiality levels (\$54,300 – general fund and \$18,200 – earmarked fund) and ± 10 percent. No scope was established for federal fund expenditures.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected 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 processed in accordance with the agency's policies and procedures and State regulations.
- We inspected 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 inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- 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 compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$54,300 – general fund and \$18,200 – earmarked fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, operating transfers and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual journal entry transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Journal Entry Approval and Documentation in the Accountant's Comments section of this report.

5. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

6. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2009, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Asset Balances and Composite Reservoir Account Reconciliations in the Accountant's Comments section of this report.

The Honorable Mark Sanford, Governor
and
Members of the Commission
South Carolina Museum Commission
June 10, 2010

7. **Status of Prior Findings**

- We inquired about the status of 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, 2007, to determine if Commission had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2008.

We found no exceptions as a result of the procedures.

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 elements, 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.



Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - OTHER WEAKNESSES

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified while performing the agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

JOURNAL ENTRY APPROVAL AND DOCUMENTATION

The Commission could not provide documentation to support or explain the purpose of six of twenty-five journal entries randomly selected for testing and all four appropriation transfers tested. In addition, the documents did not contain evidence of agency approval. Commission staff explained that these entries were initiated by SCEIS staff shortly after the implementation of the new accounting system to assist the Commission in processing transactions and correcting errors. However, SCEIS personnel did not provide the Commission with supporting documentation or work-flow the transactions to the Commission for approval.

Effective internal controls include supporting documentation adequate to support journal entries as well as evidence of approval by a responsible official.

We recommend the Commission implement procedures to ensure that all accounting transactions processed through its accounting system be supported by source documentation and be approved by appropriate Commission personnel.

ASSET BALANCES

During the testing of the Commission's capital assets closing package, we noted that the ending balance reported for construction-in-progress did not agree with the construction-in-progress balance recorded in the accounting system.

The asset management module of the Commission's new accounting system is the book of record for all capital asset transactions. As such, information presented in the asset management module should agree or reconcile with the financial information presented in the capital assets closing package.

We recommend the Commission implement procedures to ensure that asset balances recorded in the accounting system agree to the balances reported in the capital assets closing package.

COMPOSITE RESERVOIR ACCOUNT RECONCILIATIONS

During our review of the cash and investments closing package, we noted that the Commission had not been reconciling its composite bank account to the State Treasurer's reports on a monthly basis.

An effective internal control system includes procedures designed to timely detect and correct errors.

We recommend the Commission develop and implement procedures to ensure that reconciliations are performed monthly on its composite bank account. The procedures should require documented reconciliations, signed and dated by the preparer and reviewer, performed shortly after month-end and include identification and explanation of reconciling differences.

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 Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007, and dated June 26, 2008. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2008. We determined that the Commission has taken adequate corrective action on each of the findings.

MANAGEMENT'S RESPONSE

**H95 MUSEUM COMMISSION
MANAGEMENT RESPONSES FOR FY09 AUDIT FINDINGS**

JOURNAL ENTRY APPROVAL AND DOCUMENTATION

The Commission could not provide documentation to support or explain the purpose of six of twenty-five journal entries randomly selected for testing and all four appropriation transfers tested. In addition, the documents did not contain evidence of agency approval. Commission staff explained that these entries were initiated by SCEIS staff shortly after the implementation of the new accounting system to assist the Commission in processing transactions and correcting errors. However, SCEIS personnel did not provide the Commission with supporting documentation or work-flow the transactions to the Commission for approval.

Effective internal controls include supporting documentation adequate to support journal entries as well as evidence of approval by a responsible official.

We recommend the Commission implement procedures to ensure that all accounting transactions processed through its accounting system be supported by source documentation and be approved by appropriate Commission personnel. are not exceeded.

MANAGEMENTS RESPONSE:

With the conversion and implementation of SCEIS, some accounting transactions were submitted by SCEIS personnel that did not contain backup documentation or museum approvals for the transaction. Procedures have been implemented to ensure that in the future all transactions entered by SCEIS or Museum staff are properly documented and work-flowed to provide appropriate backup documentation and approvals.

ASSET BALANCES

During the testing of the Commission's capital assets closing package, we noted that the ending balance reported for construction-in-progress did not agree with the construction-in-progress balance recorded in the accounting system.

The asset management module of the Commission's new accounting system is the book of record for all capital asset transactions. As such, information presented in the asset management module should agree or reconcile with the financial information presented in the capital assets closing package.

We recommend the Commission implement procedures to ensure that asset balances recorded in the accounting system agree to the balances reported in the capital assets closing package.

MANAGEMENTS RESPONSE:

Procedures have been implemented to reconcile yearly asset balances with the Comptroller General's Office and record all asset balances properly.

COMPOSITE RESERVOIR ACCOUNT RECONCILIATIONS

During our review of the cash and investments closing package, we noted that the Commission had not been reconciling its composite bank account to the State Treasurer's reports on a monthly basis. An effective internal control system includes procedures designed to timely detect and correct errors.

We recommend the Commission develop and implement procedures to ensure that reconciliations are performed monthly on its composite bank account. The procedures should require documented reconciliations, signed and dated by the preparer and reviewer, performed shortly after month-end and

include identification and explanation of reconciling differences.

MANAGEMENTS RESPONSE:

Procedures have been implemented to reconcile the Curator's Checkbook on a monthly basis. Each reconciliation will include the preparers signature, the date prepared, and explanations of any reconciling differences with proper documentation.

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, 2007, and dated June 26, 2008. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2008. We determined that the Commission has taken adequate corrective action on each of the findings.

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