

**SOUTH CAROLINA MUSEUM COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2011**

*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

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May 30, 2012

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina State Museum  
Columbia, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records of the South Carolina State Museum for the fiscal year ended June 30, 2011, was issued by Elliott Davis, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

RHGjr/cwc

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

May 9, 2012

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
State of South Carolina  
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 Agency) and the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 2011, in the areas addressed. The Agency'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 made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current fiscal year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior fiscal year. We investigated changes in the earmarked fund to ensure that revenue was classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels of \$14,000 and  $\pm$  10 percent.

- We made inquiries of management pertaining to the Agency's policies for accountability and security over merchandise issued for money. We observed Agency personnel performing their duties to determine if they understood and followed the described policies.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Cash Receipts in the Accountant's Comments section of this report.

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 Agency, 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 current fiscal year non-payroll expenditures at the subfund and object code level to those of the prior fiscal year. We investigated changes in the general and earmarked funds to ensure that non-payroll expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels (\$17,500 – general fund and \$13,300 – earmarked fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Purchasing Source Documents in the Accountant's Comments section of this report.

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 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 current fiscal year payroll expenditures at the subfund and object code level to those of the prior fiscal year. We investigated changes in the general and earmarked funds to ensure that payroll expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels (\$11,200 – general fund and \$8,400 – earmarked fund) and  $\pm 10$  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  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the Agency's accounting records.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Payroll in the Accountant's Comments section of this report.

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 transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Journal Entries in the Accountant's Comments section of this report.

5. **Composite Reservoir Accounts**

*Reconciliations*

- We obtained all monthly reconciliations prepared by the Agency for the fiscal year ended June 30, 2011, and inspected selected reconciliations of balances in the Agency's accounting records to those reflected on the State Treasurer's Office monthly reports to determine if accounts reconciled. 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 Agency's general ledger, agreed the applicable amounts to the State Treasurer's Office monthly reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Agency's accounting records.

*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 made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We obtained all monthly reconciliations prepared by the Agency.

*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 Agency, 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.

The reconciliations selected were chosen randomly. We found no exceptions as a result of these procedures.

6. **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 these procedures.

7. **Closing Packages**

- We obtained copies of all closing packages as of and for the fiscal year ended June 30, 2011, prepared by the Agency 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 work papers and accounting records.

Our findings as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

8. **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 Museum Commission resulting from the State Auditor's engagement for the fiscal year ended June 30, 2009, to determine if the Agency had taken corrective action. We applied no procedures to the Agency's accounting records and internal controls for the fiscal year ended June 30, 2010.

Our finding as a result of these procedures is presented in Journal Entries in the Accountant's Comments section of this report.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
State of South Carolina  
May 9, 2012

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, the governing body and management of the South Carolina Museum Commission and State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Elliott Davis, LLC*

Columbia, South Carolina  
May 9, 2012

**ACCOUNTANT'S COMMENTS**

## **SECTION A - VIOLATION OF STATE LAWS, RULES OR REGULATIONS**

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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

## **CLOSING PACKAGES**

Section 1.7 of the Comptroller General's Closing Procedures Manual states that "each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office closing package forms and/or financial statements that are: Accurate and prepared in accordance with instructions, complete, and timely".

We noted that the Agency submitted its capital assets closing package on October 7, 2011 when it was due to the Office of the Comptroller General on September 20, 2011. Since the Agency did not submit the capital assets closing package in a timely manner, it incurred the risk of causing the State's capital assets to be misstated in its Comprehensive Annual Financial Report.

We recommend that the Agency develop and implement procedures to ensure that all closing packages are completed in accordance with the Office of the Comptroller General's Closing Procedures Manual instructions. Also, we recommend that the Agency make appropriate adjustments to future closing packages, if necessary, to correct the errors identified above.

## **SECTION B - OTHER WEAKNESSES**

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

## **CASH RECEIPTS**

Eighteen of the twenty-five sampled cash receipts related to the collection of admission fees. We noted the following exceptions related to these types of transactions:

- Of these eighteen transactions, we noted five in which the amount that should have been collected and deposited into the Agency's bank account did not agree with what was actually deposited into the bank account. In the aggregate, these five transactions accounted for a \$30.38 understatement in the Agency's bank account.
- An "Agent Cashout Report" that is system generated and that reflects the amount of monies that should have been collected based on sales was not provided for one of these eighteen sampled transactions. The amount of cash deposited was \$112.00, but the "Agent Cashout Report" to support this deposit was not provided.

We recommend the Agency implement a process in which its cashiers are observed when they close out their registers so that their tender equals the total amount that the system calculates as being received. We also recommend that all cash receipts receive the proper levels of approval within the workflow overview of SCEIS.

## **PURCHASING SOURCE DOCUMENTS**

Nine of the twenty-five sampled non-payroll disbursements related to the purchase of retail inventory for the Agency's store. We noted the following exceptions related to these types of transactions:

- Six transactions included a purchase requisition that was not properly completed. The item description, quantities and unit costs were not reflected on the purchase requisition and, therefore, we were not able to agree the purchase requisition to the supporting purchase order or invoice.
- Seven transactions did not include a purchase order that is generated when ordered inventory is keyed into the Agency's inventory system.
- Five transactions involved a situation in which the same employee prepared the purchase requisition, generated a purchase order, received the inventory, and approved the invoice for payment.
- All nine transactions that related to the purchase of retail inventory for the Agency's store involved a situation in which the same employee prepared the purchase requisition, generated a purchase order, and approved the invoice for payment.

Eight of the twenty-five sampled non-payroll disbursements related to procurement card purchases. We noted the following exceptions related to these types of transactions:

- One transaction did not include a receipt for \$9.60 to support the nature of the purchase reflected on the credit card statement.
- One transaction included a "Visa Reconciliation" that was not approved by the Department Director.

We recommend the Agency prepare purchase requisitions and purchase orders in sufficient detail so that a proper three-way match between these source documents and the invoice can be performed. This will allow the Agency to ensure that the retail inventory that is requested and ordered is what was actually received. In preparing the purchase requisitions and purchase orders, we also recommend that the Agency implement a process in which there are proper separation of duties between requesting, ordering, and receiving inventory. This will mitigate the risk of potential errors and/or fraudulent financial reporting.

We recommend the Agency require all employees who have access to a procurement card provide all receipts that support all monthly procurement card purchases to their Department Directors and that all Department Directors review and approve the “Visa Reconciliation” at the end of each month. This will mitigate the risk of unallowable purchases.

### **PAYROLL**

Our sample of twenty-five regular payroll transactions consisted of nineteen employees. When examining these transactions, we noted that the Agency did not complete the “Employer Review and Verification” section on Form I-9 for one employee. As a result, it was not evident that the Agency ensured this employee was authorized to work in the United States of America.

We recommend that the Agency review Form I-9 for all employees and document this review by completing the “Employer Review and Verification” section. By documenting this review, the Agency can provide evidence that it ensured an employee was authorized to work in the United States of America.

## **JOURNAL ENTRIES**

We examined a sample of twenty-five journal entries and we noted the following exceptions:

- Three journal entries were not supported by documentation.
- There were three journal entries that were supported by documentation, but this documentation was not scanned into SCEIS.

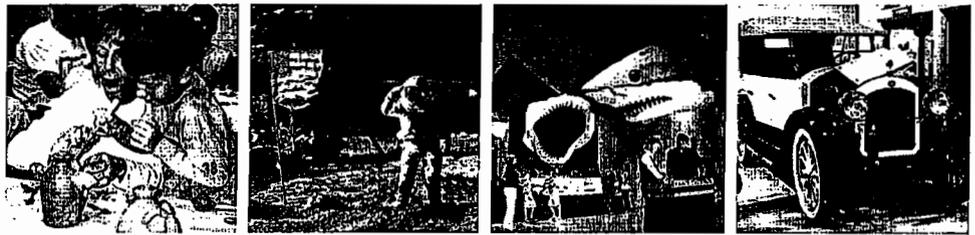
Sound internal controls include processes to help ensure that recorded transactions are properly described, approved, classified and reviewed. This will mitigate the risk of potential errors and unauthorized transactions.

We recommend that the Agency maintain documentation to support the purpose and dollar amount of each journal entry. We also recommend that the Agency scan this documentation into SCEIS so that it can be accessed by the Office of the Comptroller General when a review of this documentation is necessary.

## **SECTION C - 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 Agency for the fiscal year ended June 30, 2009, and dated June 10, 2010. We applied no procedures to the Agency's accounting records and internal controls for the fiscal year ended June 30, 2010. We have repeated the finding related to recording journal entries.

**MANAGEMENT'S RESPONSE**



art ■ history ■ natural history ■ science & technology ■ educational programs ■ festivals ■ camp-ins and much more!

May 9, 2012

Office of the State Auditor  
Richard H. Gilbert, Jr., CPA  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Mr. Gilbert.

Thank you for the opportunity to review and respond to your report on the agreed upon procedures to the accounting records of the State Museum for the year ended June 30, 2011. Provided below are our comments to each of the findings in the Management's Response section of the report.

**Closing Packages:**

(1) The Agency did not submit its Capital Assets Questionnaire Form to the Office of the Comptroller General by its due date. (2) The Agency did not submit its Capital Assets Summary Form to the Office of the Comptroller General by its due date.

**Response:** In the future every effort will be made to ensure due dates for closing packages are met.

**Cash Receipts:** Based on the testing performed, we noted the following exceptions:

(1) Of these eighteen transactions, we noted five in which the amount that should have been collected and deposited into the Agency's bank account did not agree with what was actually deposited into the bank account. In the aggregate, these five transactions accounted for a \$30.38 understatement in the Agency's bank account.

**Response:** Overages and shortages on daily cashier counts are recorded on daily register close out reports and verified by the Cash Control Assistant. Procedures will be revised to include an explanation for overages and shortages



and to assist in further training cashiers to more accurately handle cash transactions to avoid discrepancies.

(2) An "Agency Cashout Report" for \$112.00 collected in cash was not included in the cash receipts file for one of the eighteen sampled transactions that related to admission fees.

Response: Cashiers will be trained to more accurately to follow daily close out procedures.

Payroll (Regular): Based on the testing performed, we noted the Agency did not properly complete the "Employer Review and Verification" section on Form I-9 for one employee (James Knight).

Response: James Knight was hired November 1987; Personnel staff that conducted his hire process are no longer employed at the museum. Currently, the museum has a New Hire Checklist to ensure all personnel forms are submitted at the time of hiring.

Journal Entries: Based on the testing performed, we noted the following exceptions:

(1) Documentation to support the recorded amount of three of the twenty-five sampled journal entries was not provided in hard copy or scanned into SCEIS. These entries are supported by the following document numbers: 1000089286, 1000084004, and 1000089287.

Response: Documentation is provided by the Reference # that is listed on the journal entry header and may be reviewed by accessing that document number in SCEIS. All documents for the above referenced journal entries may be viewed by accessing the Reference # listed on the journal entry.

(2) Documentation to support the recorded amount for three of the sampled twenty-five journal entries was provided, but this documentation was not uploaded on SCEIS. These entries are supported by the following document numbers: 1000067861, 1000087729, and 1000081253.

Response: Every effort will be made to ensure all supporting documents for journal entries will be scanned into SCEIS.

Non-Payroll Disbursements: Based on the testing performed, we noted the following exceptions:

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(1) Six of the nine transactions that related to purchasing retail inventory included a purchase requisition that was not completed properly. The item description, quantities and unit costs were not reflected therein. Therefore, we were not able to trace this internal purchase requisition to the supporting purchase order.

Response: Purchase requisitions are used only as a second order reference in purchasing retail inventory and are not used to reflect exact order information. The purchase order produced by Dataworks is the official document of record for purchasing retail inventory.

(2) One of the eight sampled procurement card purchases did not include all receipts that supported the credit card statement. We were missing one receipt that amounted to \$9.60.

Response: Missing receipt was noted on submitted statement and signed by employee and supervisor. Every effort will be made to ensure all supporting documents for procurement card purchases are obtained.

(3) One of the eight sampled procurement card purchases included a Visa Reconciliation that was not approved by the Department Director.

Response: In the absence of the Department Director's signature a purchasing card purchase is approved by the Finance Director and the Director of the Agency as was in this case.

(4) Seven of the nine transactions that related to purchasing retail inventory did not include a purchase order that reflected the inventory had been entered into the system.

Response: The Purchase Order document is produced by entering the inventory into the system, therefore no signature is required for proof of entry, and the document is proof.

(5) Five of the nine transactions that related to purchasing retail inventory involved a situation in which the preparation of the purchase requisition, the entering of the inventory into the system, the receipt of the inventory into the system, and the approval for payment of the invoice was performed by the same employee.

Response: Due to limited budget and staff resources, only one full time staff person oversees Retail Inventory. Processes will be changed to allow seasonal staff to assist with the retail inventory ordering/receiving/approval process.

(6) All nine transactions that related to purchasing retail inventory involved a situation in which the preparation of the purchase requisition, the entering of the



inventory into the system, and the approval for payment of the invoice was approved by same employee.

Response: Due to limited budget and staff resources, only one staff person oversees Retail Inventory. Processes will be changed to allow seasonal staff to assist with the retail inventory ordering/receiving/approval process.

Sincerely,



William P. Calloway  
Executive Director

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SOUTH CAROLINA STATE MUSEUM

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